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ABSTRACT

This study sought to determine whether state special education aid in New Jersey influences the number or types of pupils referred to special education services, the designation of their specific disability, and the setting in which special education services are provided. Analysis of data in state education agency reports and interviews with school officials found that: (1) costs incurred by local districts are more important than the amount of state aid in special education decisions; (2) state aid for special education does not promote excessive identification of children with disabilities, but may in fact inhibit the identification of pupils with disabilities because it does not fully cover the additional costs for services; (3) state aid does not promote the selection of classifications with higher reimbursements or additional cost factors; (4) state aid does not appear to be a primary factor in determining student placements; (5) financial resources of school districts become an important factor in placement decisions; and (6) there are several major deficiencies in the state special education aid system. Recommendations are offered concerning reforms to the special education service delivery and financing systems, emphasizing provision of comprehensive financial support of all forms of special education placement and promotion of placement in the least restrictive environment. (Contains 27 references.) (JDD)

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LINKAGES IN THE DELIVERY AND FINANCING OF SPECIAL EDUCATION SERVICES IN NEW JERSEY

Project Final Report

Submitted to

The New Jersey Developmental Disabilities Council

By

**The Center for Government Services at Rutgers,
The State University of New Jersey**

and

The Public Affairs Research Institute of New Jersey

October 1994

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PREFACE

Providing special education services for the children of New Jersey is a complex process. Extensive federal and state mandates often place serious restrictions on a district's flexibility in providing all students with the most ideal program for their individual needs. Compounding the problem is the escalation of costs for providing services. New Jersey assists local districts with special education categorical aid but the method of allocation of this state aid, as well as the amount of the aid, has proven controversial. Despite frequent increases in state aid over the last fifteen years, problems of aid distribution continue. Charges that the state aid formula fails to encourage the placement of students in the least restrictive environment continue to grow. It is this potential linkage between state aid and the delivery of services that prompted this study.

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Cynthia C. Rice, Esquire, of the Association for Children of New Jersey, prepared the chapter on Legislative and Judicial Requirements. Bill Dolphin, of the Rutgers Center for Urban Policy Research, and Carolyn Golojuch, of the Center for Government Services, provided valuable computer assistance to the project. Joan Buck, of the Center for Government Services, and Terri Raney, of the Public Affairs Research Institute of New Jersey, provided essential services throughout the projects.

The New Jersey Developmental Disabilities Council provided funding assistance for this project. In-kind support for the project was also provided by Rutgers University, through the Edward J. Bloustein School of Planning and Public Policy.

Finally, we would like to thank the many individuals who offered comments and suggestions on draft reports at various stages of the project. Their contributions served to improve the clarity and accuracy of this report.

While we offer our gratitude to all those who assisted along the way, we would like to emphasize that the methodologies, findings, conclusions and interpretation, and recommendations are solely the responsibility of the research team and should not be attributed to any individual or organization cited above simply because they assisted in our efforts.

The Center for Government Services
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of New Jersey

The Public Affairs
Research Institute
of New Jersey

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Table of Contents

Executive Summary

I - Introduction ..... 1 - 1
- Purpose and Scope ..... 1 - 1
- Problems and Hypotheses Examined ..... 1 - 1
- Factors Affecting Decisions ..... 1 - 2
  - Legislative and Judicial Constraints ..... 1 - 3
  - State Aid ..... 1 - 3
  - Administrative Considerations ..... 1 - 3
  - Changes in Educational Philosophy ..... 1 - 4
  - Socioeconomic Status ..... 1 - 4
  - Number/Size of Local School Districts ..... 1 - 4

II - Methodology and Data ..... 2 - 1
- Data-Gathering Techniques ..... 2 - 1
- Data Collection ..... 2 - 1
- Data Collection Limitations ..... 2 - 1
- District Interviews ..... 2 - 4

III- Legislative and Judicial Requirements ..... 3 - 1
- Constitutional Rights ..... 3 - 1
- Federal Legislation ..... 3 - 2
- Judicial Interpretations ..... 3 - 5
- The Rehabilitation Act of 1973 ..... 3 - 8
- Special Education and Private Schools ..... 3 - 9

IV - Patterns of Special Education In New Jersey ..... 4 - 1

V - Special Education Service Providers ..... 5 - 1
- Major Issues in Special Education Staffing ..... 5 - 2
- Teacher Preparation and Certification ..... 5 - 2
- Trends in Staff Placement ..... 5 - 3

VI - The Special Education Aid System ..... 6 - 1
- The Pre-1976 Pattern ..... 6 - 1
- The Public School Education Act of 1975 (Ch.212) ..... 6 - 1
  - Additional Cost Factors for Special Education Classes
  - Additional Cost Factors for Other Placements
  - Updating of Additional Cost Factors
  - County Special Services Districts
  - Initial Criticisms of the Law
  - Fiscal Impact
- The Quality Education Act (QEA) ..... 6 - 7
- The Public School Reform Act or 1992 (PSRA) ..... 6 - 8
- The Appropriations Act for 1994-95 ..... 6 - 8

VII- Trends in Special Education Funding ..... 7 - 1
- Changes in Special Education Categories ..... 7 - 1
- Changes in Special Education Enrollment ..... 7 - 2
- Changes in Additional Cost Factors ..... 7 - 9
- Changes in Placement of Special Education Pupils ..... 7 - 12
- Increases in the Base Budget ..... 7 - 23

Table of Contents

VIII-State Aid for Special Education..... 8 - 1
State Aid vs. Expenditures..... 8 - 2
State Aid--Nonpublic..... 8 - 7
Outcomes Assessment..... 8 - 7
Outcomes Assessment - Sports..... 8 - 10

IX - Findings and Recommendations ..... 9 - 1

Selected Bibliography..... A - 1

Charts and Tables

Chart 1 - The Landscape of New Jersey Special Education..... 7 - 3
7 - 4

Table 1 - Comparison of 1993 Special Education Enrollment Counts from Applications for State School Aid (ASSA) and Special Education Plan..... 2 - 2

Table 2 - Analysis of Special Education Enrollment by Gender and Race/Ethnicity..... 4 - 4

Table 3 - Percentage of Students in Separate Special Education Classes at High School and Elementary Level, by Gender and Race/Ethnicity, 1993; Selected Urban School Districts..... 4 - 5

Table 4 - Special Education Aid Additional Cost Factors, 1976-77 to 1992-93..... 6 - 5

Table 5 - Enrollment in State-Funded Local Long-Term Special Education Programs, 1977-1993..... 7 - 6

Table 6 - Enrollment in State-Funded Local Long-Term Special Education Programs as a Percentage of Enrollment, 1990-1993. School Districts Grouped by Socio-Economic Status (DFG)..... 7 - 7

Table 7 - Enrollment in State-Funded Episodic Special Education Activities, 1977-78 to 1992-93..... 7 - 8

Table 8 - Average Statutory and Effective Additional Cost Factors for Special Education Aid: 1976-77 to 1992-93..... 7 - 10

Table 9 - State-Funded Local Long-Term Special Education Program Placements, 1977-1993..... 7 - 13

Table 10- Statewide Local Long-Term Special Education Placement Percentages, 1990-1993..... 7 - 15

Table 11- Use of Own-District Self-Contained Classes vs. Use of Resource Rooms, 1990-1993. School Districts Grouped by Socio-Economic Status (DFG)..... 7 - 16

Table 12- Long-Term Special Education Placements by Pupil Classification, 1991 and 1993; In Rank Order of Special Class Additional Cost Factor..... 7 - 18

Table 12a-1991-1993 Change in Long-Term Special Education Placements and Percentages of Total Net Change In Rank Order of Special Class Additional Cost Factor..... 7 - 19

Charts and Tables

Table 13- Special Education Student Placement Costs..... 7 - 22

Table 14- Base Budget Used to Calculate Special Education Aid: 1976-77 to 1992-93..... 7 - 24

Table 15- State Aid Entitlements for Special Education: 1978-79 to 1994-95..... 8 - 3

Table 16- Comparison of Special Education Expenditures and State Aid Entitlements (In Thousands of Dollars)..... 8 - 5

Table 17- State Total School District Special Education Appropriations, 1993-94..... 8 - 6

Table 18- 1994-95 Funding Statement for Nonpublic Services Under Chapters 192 and 193..... 8 - 8

EXECUTIVE SUMMARY

Across the United States, there are almost five million school-age individuals with some type of disability. Over 180,000 of these individuals are residents of the State of New Jersey. Both federal and New Jersey state laws require that these students receive an education in the least restrictive environment consistent with their Individualized Education Plan (IEP). Several recent reports, by the federal government and various advocacy groups for pupils with a disability, have questioned the extent to which the least restrictive environment requirement is being met in New Jersey. If, indeed, this mandate is not being attained in New Jersey, a major policy issue is why?

Purpose

The aim of this study is to determine whether state special education aid in New Jersey influences:

1. the number or type of pupils referred to special education services (identification);

2. the designation of their specific disability (classification); and

3. the setting in which special education services are provided (placement).

There are few well-framed guidelines provided in New Jersey (and elsewhere) to ensure the proper identification, classification, and placement of disabled students in the schools, with the result that there is much vagueness and flexibility in the assessment procedures applied to disabled students. This has led to considerable variation in the identification, classification, and placement decisions made in many of New Jersey's school districts.

The research team, consisting of the Center for Government Services at Rutgers, The State University of New Jersey, and the Public Affairs Research Institute of New Jersey, analyzed the role of state aid for special education and other factors in influencing the delivery of special education services. The study methodology included a statistical analysis of data in reports produced by the state DOE and insights from interviews conducted with both local and state school officials.

Findings

- The costs incurred by the local district are more important than the amount of state aid in special education decisions.

- State aid for special education does not promote excessive identification of children with handicaps because

    - the professionals responsible for identification of special education pupils are insulated from the fiscal aspects of their decisions,

    - the state aid system is sufficiently complex that the fiscal implications of any decisions are often not well understood or predictable, especially to the non-financial local officials making the decisions.

- The state aid system for special education may in fact inhibit the proper identification of pupils with disabilities because it apparently does not fully cover the additional costs for services generated by a special education pupil.

- State aid for special education does not promote the selection of classifications with higher reimbursements or additional costs factors because

    - the most fiscally lucrative classifications are clearly identifiable conditions (e.g., visually impaired) that would be difficult to distort,

    - the professionals making the classification decisions are sufficiently insulated from the fiscal implications of their actions.

- State aid for special education does not appear to be a primary factor in determining student placements.

- Costs are more important than state aid in placement decisions because

    - costs are generally immediate, obvious, linked to specific cases, and funds must be identified and committed,

    - state aid is a reimbursement at some future point, and it is rarely possible to link it to a decision regarding a particular pupil.

- There are several non-financial factors that affect special education pupil placements, including

    - the expanding national awareness of the needs and rights of persons with disabilities appears to have an impact on special education pupil placement decisions,

    - changes in law or administrative regulation can stimulate a substantial change in special education pupil placements, as shown in the last two years when there has been a substantial shift of students in almost all disability classifications from self-contained classrooms to resource centers,

    - where parents are concerned, aware of their rights, and financially capable of taking legal actions, school administrators listen and act with respect to placement decisions,

    - the small size of many school districts in New Jersey is a factor in some placement decisions,

    - physical facilities can be a controlling factor in that there is always the potential for a mismatch between space available to a school and the space needs to accommodate the school's special education population,

- the professional and personal orientation of the special education staff have a profound effect on the type of placements,

- regular classroom teachers have generally had little or no training and experience with pupils with disabilities and, as a result, may resent and resist the additional burdens and disruptions that they anticipate from greater inclusion.

. The difference between some state aid, albeit a small amount, and no state aid may be significant in placement decisions.

. Since state aid covers only a portion of the costs for the additional services provided to special education pupils, the financial resources of the local school district become an important factor in placement decisions

. Low-resource communities tend to use more restrictive special education settings, such as self-contained classrooms, while high-resource communities have moved more rapidly to less restrictive environments, such as resource centers.

. It is difficult, if not impossible, to determine how much a school district actually spends on special education because only part of the amount is identified as such in the budget, while other expenditures on special education students are contained in other parts of the budget.

. The lack of earmarking of state aid for special education purposes makes it difficult to account for the use of the funds.

. There are several major deficiencies in the state special education aid system. For example,

  - There are gaps in the formula which result in no state aid being provided for selected placements which may represent the least restrictive environment, such as the use of aides to assist special education students in regular classrooms.

  - State aid is still based on dated enrollment counts and base budgets, while both enrollments and costs have risen, and the freeze of state aid for special education in the last two years has exacerbated this problem.

  - Districts must often rely on their own resources, which places a severe burden on the poorest school districts.

  - Inadequate state aid for residential placements represents a potentially severe local burden, especially for poor and/or small districts.

  - Placement patterns vary widely among districts, reflecting the paucity of effective standards for child study teams.

. The lack of a master plan for data collection makes a comprehensive review of the state aid system difficult.

Recommendations

The importance of the factors cited above in influencing the major decisions does not, however, preclude the need for reforms to the special education service delivery and financing systems. The absence of adequate standards, data, and accountability in service delivery should be addressed. Similarly, the lack of earmarking of state categorical funds for special education is a hindrance to greater accountability. Moreover, the inadequacy of training certainly hampers efforts to comply with federal and state government requirements. To address these concerns, the research team offers the following recommendations for consideration.

1. The state aid system must promote placement of pupils in the least restrictive environment.

2. The system should provide comprehensive financial support of all forms of special education placement.

3. A comprehensive study should be made of the real costs of all special education placements.

4. The present state aid system should be revised to:

   (a) equalize the ability of school districts to provide special education,

   (b) equalize the cost burden to districts of the various special education placements, including residential placements,

   (c) provide sufficient funds for appropriate special education placements in all school districts.

   (d) use a current-year pupil count.

5. Special education state aid funds should be dedicated to special education expenditures.

6. A more comprehensive plan for special education data collection should be developed and implemented.

7. There should be state child study teams to:

   (a) evaluate and approve recommended residential placements,

   (b) provide and promote standards for local child study teams and provide oversight for the placement process.

8. Undergraduate and graduate curricula for the training of teachers should include instruction on the needs and teaching of special education pupils.

9. There should be a state-funded program of in-service training on the teaching of special education pupils for all incumbent teachers.

CHAPTER I

INTRODUCTION

Purpose and Scope

The purpose of this project is to analyze the extent to which state aid for special education services in New Jersey influences various aspects of service delivery. In particular, the aim is to determine whether the structure of state special education aid influences the major decisions involved in providing special education services. Those decisions relate to the number and type of pupils to receive special education services (identification that a disability exists), designation of the nature of the disability (classification), and determination of the appropriate setting in which to provide special education services (placement).

The specific focus of this study is on the 1) identification, classification, and placement of special education students and 2) the allocation of special education resources. The report does not address the adequacy of services delivered or the adequacy of resources devoted to special education services by the state or school districts.

Problems and Hypotheses Examined

Nationally, there are approximately 4.7 million school-age individuals with some type of disability. In New Jersey, some estimates show that there are over 180,000 individuals between 3 and 21 years of age with some disability. The State of New Jersey provides through its Department of Education just under $600 million in categorical assistance to help finance services for these individuals. However, once the level of categorical assistance has been determined for a local school district, based in large part on the number of pupils with a disability and the nature and severity of their disability, the district is not required to spend the categorical assistance received directly or indirectly to provide special education services. This system has led several observers to conclude that the state aid structure in place in New Jersey causes a disproportionate number of pupils to be identified as in need of special education services and classified by types of disabilities that carry higher levels of state assistance.

For example, in 1984, the New Jersey Special Education Study Commission referred to the (then-current) aid system as a "bounty system" and noted that it

> ...creates a need for districts to classify students by handicapping category in order to receive state aid. Many believe this encourages districts to overclassify students,...Further, the weighting factors of the system create a financial incentive to classify and place students in categories with higher reimbursement multipliers.[1]

Speaking more generally, Goertz contends that "...states that link the level of support to the identification of an educational disability may encourage districts to inappropriately classify special education students to obtain additional funding."[2] Thus, a major issue to be examined

[1] The Turning Point: New Directions for Special Education, Report of the New Jersey Special Education Study Commission (1984) p.23.

[2] Margaret E. Goertz, "School Reform and Education Finance," A report prepared under Contract #HS92017001 with the U. S. Department of Education (September 1993), p.2.

is the extent to which state aid in New Jersey, among other factors, contributes to the observed pattern of identification and classification in the state.

Another major issue to be examined is the setting in which special education services are provided. The federal Education for All Handicapped Children Act of 1975 requires that students with disabilities be educated in "the least restrictive environment" consistent with their Individual Education Plan. According to an assessment by Arc, a national organization on mental retardation, New Jersey ranked last with regard to students with mental retardation, behind the other 49 states, Puerto Rico, and the District of Columbia, on inclusion, which refers to the extent to which students with disabilities are integrated into regular classrooms for their instruction.[3] It should be noted that "inclusion" and "the least restrictive environment" consistent with a pupil's IEP may not be the same thing. Inclusion, as used in this report, specifically refers to integrating special education students into a regular class setting. The least restrictive environment suggests placement for each student on a continuum of sorts ranging from home instruction and out-of-district placements in private schools, on the one hand, to in-class resource centers and regular class placements, on the other (see The Landscape of New Jersey Special Education, pp. 7-3, 7-4). Still, there is a concern about the impact of the state categorical aid system on the setting chosen for delivery of special education services. Again, Goertz argues that, "... state formulas that provide more state aid for those special education students who are served in resource rooms or self-contained classrooms rather than in regular class settings may discourage inclusion."[4] The Arc of New Jersey notes a particular bias against inclusion in that

> If a district and a child's parents determine that a regular classroom with all necessary supports is the most appropriate placement and represents the least restrictive environment, the district must pay the entire cost of providing those supports, without the benefit of state categorical aid. As a result, some districts elect to place children in more expensive, segregated special education classes so that they can get state categorical aid to offset the costs of educating that child.[5]

Thus, serious questions can be raised as to whether the state categorical assistance program for special education in New Jersey is at odds with the policy directions embodied in federal law.

Factors Affecting Decisions

There are numerous factors with the potential to affect the identification, classification, and placement decisions discussed earlier, including

1. legislative and judicial constraints on special education
2. state categorical aid,

3The Arc, "The Arc's Report Card on including children with mental retardation in regular education." (circa 1992)

4Goertz, "School Reform and Education Finance," p.2.

5The Arc of New Jersey, "Fact Sheet," (undated).

3. local school district administrative considerations,

4. the number of special education pupils, especially relative to the overall size of the district,

5. changes in the philosophy regarding the education of pupils with disabilities, especially as reflected in parental preferences,

6. the socio-economic characteristics of the pupil's resident district, and

7. the structure of local school district government in New Jersey, especially the large number of small districts and the resulting potential for wide variations in standards.

A brief discussion of the potential influence of each of these factors is provided in this section.

Legislative and Judicial Constraints -- For many years, access to basic education was quite limited for pupils with any disability. However, starting in the early 1970s, a series of new laws/amendments (especially at the federal level) and court decisions has evolved that established and reinforced the rights of students with disabilities to receive a basic education, within the least restrictive educational environment.

State Aid -- Almost all public school students in New Jersey receive some state aid. However, students with disabilities and who are placed in special education settings are eligible for additional assistance in the form of categorical aid for special education services and, perhaps additional transportation aid as well. In general, categorical aid produces two separate, but related, effects. The first is a wealth effect. In this case, the local district simply has more resources available to meet any given needs and, therefore, more and/or better services are provided. That is, a larger number of pupils may be eligible to receive a broader array of services. The second effect is a transfer or substitution effect. This effect results when the level of state assistance provided varies depending on the characteristics of the student or the service provided. According to this substitution effect, there will always be an incentive to change behavior in the direction of the more-heavily subsidized individual or service. Although termed categorical, state aid for special education in New Jersey is similar to a block grant in that use of the funds received by a local school district is largely unrestricted. That is, once a school district is in receipt of state categorical assistance for special education, it is not obligated to dedicate all or any portion of those funds to the provision of special education services. The flexible aspect of special education aid in New Jersey would serve to enhance both the wealth and the substitution effects.

Administrative Considerations -- A recent report by the federal Office of Special Education Programs charges that school districts in New Jersey often make placement decisions for special education students based on factors such as the availability of suitable space and administrative conveniences (e.g., lack of appropriate staff, ratio of number of students to staff

specialists, etc.), rather than the individual needs of eligible pupils.[6] The lack of adequate space in particular is often cited by local officials as a major determinant in placement decisions.

Changes in Education Philosophy - There seems to have been a significant shift in educational philosophy toward inclusion over the last several years, both on the part of parents and the educational community. Parents of pupils with disabilities contend that inclusion means that more will be expected from these students and that both disabled and non-disabled students will be better prepared for the broader array of friendships and working relationships that await them in the real world. Nationwide, about 34 percent of students with disabilities are educated in regular classrooms. Only two states, Massachusetts and Vermont, educated more than 50 percent of their mentally retarded disabled students in regular classrooms, while 44 jurisdictions (42 states, Puerto Rico, and DC) are estimated to educate less than 9 percent of these disabled students in regular classrooms.[7] However, a recent report concluded that,

> ...inclusion is being implemented at some level in almost every state, and that California, Colorado, Florida, Illinois, Massachusetts, Minnesota, New Hampshire, New Mexico, Utah, and Vermont are moving aggressively to put the policy into place.[8]

Socioeconomic Status - The State of New Jersey is something of a contrast in that it is the second wealthiest state in the country, but with a number of the country's poorest local jurisdictions. Wealthier parents/jurisdictions could be expected to more readily identify the need among pupils for special education services and to seek and demand more and better services where those needs are identified. Thus, if socio-economic status of the pupils is important, one might expect that identification, classification, and placements would vary by income, property wealth, and perhaps racial mix within local areas.

Number/Size of Local School Districts - It is not clear as to how the structure of local school districts in New Jersey should be expected to affect special education decisions. Of course, for any given school-age population, a larger number of districts may mean more smaller jurisdictions and a smaller size for the average jurisdiction. Smaller size may mean more awareness or knowledge of the needs, including special education, of the student population, and more opportunities for parental involvement and influence. However, smaller size could also portend less flexibility in terms of staffing mix and potential economies of scale.

In sum, although likely to be of great importance, state categorical aid for special education is only one of several factors that potentially exert significant influence on the identification, classification, and placement decisions. The remainder of this report provides 1) a discussion of the data and methodology used in the study, 2) a presentation of the findings from our analysis, 3) a discussion of the policy implications and conclusions resulting from our analysis, and 4) recommendations and suggestions for further study.

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[6] U.S. Department of Education, Office of Special Education and Rehabilatative Services, Draft Report of the Office of Special Education Programs' monitoring of the New Jersey Department of Education for implementation of Part B of IDEA, December 22, 1993.

[7] The Arc, "The Arc's Report Card."

[8] "Inclusion of special education students debated," Star Ledger (December 16, 1993), p.55.

CHAPTER II

METHODOLOGY AND DATA

Data Gathering Techniques

The long process of gathering information for this project began months ago. The initial steps included a literature review (see bibliography), interviews with Department of Education[1] personnel, an historical review of federal and state requirements for special education, and acquisition from the Department of Education of copies of the two major special education data bases. The research team talked with representatives from the Public Advocate's Office, special education parent advocacy groups, and representatives from educational services commissions, county special services school districts and private schools for the handicapped. The background information they provided was invaluable in understanding the problems, controversies, and procedures employed in service delivery. Many of these groups provided the team with statistical information they had collected.

Data Collection

Special education information is transmitted by districts to the Department of Education via two major reports, the Application for State School Aid (ASSA) filed October 15 of each year and the Special Education Plan filed December 1. The ASSA contains the data needed to generate state aid in the next year and the Special Education Plan is designed to fulfill federal reporting requirements. The yearly statistical analysis provided by the Department of Education for special education is based primarily on the latter report. A third report, the fall survey filed on October 15 of each year, provides some information relating to the enrollment of special education students in self-contained classrooms.

The research team was particularly interested in analyzing the ASSA and the Special Education Plan because each contains slightly different information. The six-week gap between reporting dates for the two reports presented a particular challenge in consolidating information. After a thorough analysis and reconciliation of both data sets, the team found a close correlaton between statewide totals. (See Table 1).[2] This finding made it possible to combine information from each report in order to paint a better picture of New Jersey's special education landscape and analyze New Jersey's state aid funding formula.

Data Collection Limitations

The necessity for adequate and accurate information in evaluating any state aid funding formula cannot be overemphasized. In general, the New Jersey Department of Education collects information from school districts for several reasons: (1) to calculate state aid, (2) to respond to federal reporting requirements, (3) to fulfill the requirements of New Jersey statute and administrative code, and (4) to evaluate specific projects/grants. Data reporting is not designed around a master plan. Reconciling information from various reports is particularly challenging and

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[1] Unless otherwise specified the Department of Education refers to the New Jersey Department of Education.

[2] In order to reconcile the two reports, speech, supplementary instruction, and non-public students had to be subtracted from the Special Education Plan.

Table 1. Comparison of 1993 Special Education Enrollment Counts from Applications for State School Aid (ASSA) and Special Education Plan

1993 Enrollments

Applications for State School Aid (As of October 15, 1993)		Special Education Plan (As of December 1, 1993)	
Data:			
Own-Sp.Ed.Classes	53,183.0	Public Speech	41,137
Other-Sp.Ed.Classes	5,748.0	Supplementary Instruction	2,449
Private Schools	9,559.0	Resource Rooms	56,297
Resource Rooms	56,809.5	Classes	62,828
County Sp.Svc.Dist.	3,795.5	Day-Private	9,923
Home Instr.	2,413.0	Res-Private	110
Reg.Day Schools	1,102.5	Home Instruction	980
		Non-Public	12,224
Total	132,610.5	Total	185,948
Reconciliation:			
Own-Dist. 53,183.0			
Other-Dist. 5,748.0			
County SSD 3,795.5			
Reg.Day Sch. 1,102.5			
Total Classes	63,829.0	Classes	62,828
		Day-Private 9,923	
		Res-Private 110	
Private	9,559.0	Total-Private	10,033
Resource Rooms	56,809.5	Resource Rooms	56,297
Home Instruction	2,413.0	Home Instruction	980
	132,610.5		130,138
		Public Speech	41,137
		Supplementary	2,449
		Non-Public	12,224
			185,948

Note: Home Instruction pupils reported in the Special Education Plan have been given this special education placement by a district child study team; pupils listed under the ASSA include both these pupils and pupils receiving shorter term home instruction for medical reasons based on the advice of their physicians.

Sources: Department of Education:
ASSA - State totals page of ASSA print-out
Special Education Plan - Advance page from 1993-94 report.

often impossible. Despite the scope of the major reports and the over 200 smaller reports submitted by districts annually to the DOE, there are some significant gaps in the data collection process. This is particularly true when attempting to analyze information about special education. Some information needed for outcomes assessment, enrollment reporting, and staffing analysis is absent. The following examples provide a clearer picture of the problem.

Classified students are reported only if they are placed in special education programs. If classified students are placed in a regular classroom and require no academic assistance such as a resource center, they are not counted, despite the need for other related services. For example, an orthopedically handicapped child placed in a regular classroom with the support of a classroom aide, receiving nursing services, occupational therapy and physical therapy, is not reported to the Department of Education as a special education classification because that child does not receive education services. The district cannot apply for special education categorical aid for this child; therefore, the child is recorded only under regular enrollment counts. Academic placement is the determining factor for state aid. The research team attempted to examine how many of these children exist around the state. Our best estimate would probably be several hundred. Some districts provided the team with a definite number ranging from 0 to 15, but most districts did not have this information readily available.

The total number of classified students attending a county vocational school is not available. The January 1994 interim report from the National Assessment of Vocational Education[3] charges that vocational schools have become the dumping grounds for special education students. To evaluate the validity of this charge in relation to New Jersey practices, the research team analyzed vocational school enrollments. If a student received special education services in a vocational school setting, the data were recorded, but if a student received special education services for one-half the day in their regular district and attended a vocational school for the remainder of the day, the student was not recorded as classified in vocational school counts. Calculating an accurate percentage of classified special education students in a vocational school is impossible, because the numerator (students classified as requiring special education services) is unavailable and the denominator (total enrollment) is a problem as well. Total vocational school enrollments include postsecondary students, i.e., adults who have already received a diploma or G.E.D. who are not eligible for special education services or funding. It is possible to determine the total number of postsecondary students, but then enrollment totals do not agree with any other published Department of Education information.

The research team started with an hypothesis that some students receiving special education services improved to the point of no longer requiring those services. Unfortunately, information is not available to prove or disprove this hypothesis. The number of students exiting special education before age 14 is not recorded. During the interview process, directors of special education were asked how many students were declassified each year. They rarely knew the exact number; usually the answers were in the range of 0 to 10. Some K-6 and K-8 school districts do not declassify students. The students no longer require any services but the child study team (CST) periodically checks on their progress.

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[3] Congressionally mandated three year study prepared by the United States Department of Education, Office of Educational Review and Improvement, National Assessment of Vocational Education, (1994).

The number of hours of home instruction has increased dramatically since the 1988-89 school year according to the ASSA reports. The Special Education Plan reported that in 1993 a total of 980 students were placed on home instruction by a child study teams. These students are included in the number of hours in the ASSA. The exact number of students placed on home instruction for short periods of time for medical or disciplinary reasons is unknown. The published staffing reports from the Special Education Plan for home instruction show wild fluctuations. Due to inconsistencies in reporting by districts, determination of who provided the home instruction to students is impossible. In short, home instruction is state aided but significant documentation is lacking.

Since passage of the Quality Education Act (QEA), county special services school districts have resident district status and receive state aid under the regular state aid formula. Consequently, the special services school districts now report enrollment to the Department of Education. The home or resident districts of enrollees at these schools is difficult to determine. The information is only available on an edit screen at the DOE. Local districts report resident students sent to other districts and to private schools, but not those students sent to county special services school districts. This is an important point because when an attempt is made to calculate the placement practices of local school districts, accurate calculations are impossible because these students are not included in out-of-district placement counts. County special services districts function similarly to local districts for state aid purposes but they are not local districts. They are receiving districts for students, usually in highly restrictive placements. Information should be readily available to track students back to local resident districts.

Outcomes assessment has received heavy emphasis in the last few years at all levels of government. The most widely used "assessment" tool for education, besides test scores, is the graduation rate. In New Jersey, calculations of the rates of classified special education students who complete high school is a guessing game. Reporting of the number of special education graduates appears to be sporadic. Some schools are no longer required to report. Some students are reported through the local resident district, and others are not. There are no data available on the graduation rate of students placed in self-contained classes versus resource centers or regular classes. There also is no break-out by gender or race/ethnicity. In contrast to regular students, no follow-up information such as employment or additional education is available to evaluate the transition made by New Jersey's special education students to adult life. Most special education students are expected to finish high school and be capable of living independent productive lives. Their IEPs are designed for them to reach that goal. Accurate reporting of the number of graduates completing special education programs is long overdue.

District Interviews

The research team conducted interviews with twenty randomly selected school districts. The director of special education services or a member of the district staff with special education administration responsibilities was asked a series of questions designed to explore how student placement is determined in the district and how state aid affects such placements. Another fifteen interviews were conducted with other districts selected for distinguishing characteristics, such as urban special needs, participation in a pilot inclusion project, a high or low percentage of classified special education students, or a high or low percentage of students in self-contained classrooms. An administrator, usually the superintendent or assistant superintendent and a member of the

on-site and involved extensive questioning of the staff by members of the research team . The persons who agreed to talk to the team were very candid and willing to share district problems, district characteristics, parent involvement, and major concerns about state government special education funding. They also shared with the team many of their accomplishments, as well as problems, in special education placement. Their candor was noted, particularly when they explained some of the mechanisms they occasionally have used to work around problems in placing students.

CHAPTER III

LEGISLATIVE AND JUDICIAL REQUIREMENTS

For many years, the prospects of a child with a disability receiving an education were poor. Prior to the 1970s many children with disabilities were either educated in segregated facilities or excluded from schools entirely. Those children who did receive an education in the public schools were often segregated and isolated from "regular" children or placed in regular education classrooms with no assistance. Often these children were left to fend for themselves in an environment which did not adequately meet their needs. During hearings in the 1970s, Congress found that there were approximately eight million disabled children in the United States during that time period. One million were "excluded entirely from the public school system" and more than half were receiving an inappropriate education.[1]

During the late 1960s and early 1970s, public awareness of the plight of children with disabilities increased, largely due to the efforts of a number of advocacy groups. Their lobbying efforts contributed to a number of laws which encouraged new state programs and services for children with disabilities by making federal funding available to assist the states with their efforts.

Constitutional Rights

In 1972, two important federal court decisions established and defined a constitutional right to public education for children with disabilities. In **Pennsylvania Association for Retarded Children (PARC) v. Pennsylvania**[2] a class action suit was brought to prevent the state of Pennsylvania from applying statutes that precluded "mentally retarded" children from receiving a public education. The litigation was concluded by a consent decree, which stated that Pennsylvania could not apply any law that would postpone, end, or deny mentally retarded children **access** (emphasis added) to a publicly-supported education.

In **Mills v. Board of Education**[3] the plaintiffs consisted of students labeled "mentally retarded" and also children who were said to have behavioral, emotional, or hyperactivity disorders. All of these individuals had been excluded from the Washington, D.C. public schools because of their disabilities. Further, no alternative public education had been provided. The **Mills** court found that such an exclusion violated the plaintiffs' constitutional rights. The court granted a motion for summary judgment and required the District of Columbia to provide a "free and suitable" public education for each school age child "regardless of the degree of the child's mental, physical or emotional disability or impairment." The **Mills** decision was also important for asserting that school districts could not justify unequal treatment of children with disabilities on financial grounds. The Court stated that if funds were not sufficient, the burden should not fall disproportionately on handicapped children.

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[1] H.R. Rep. No. 332, 94th Cong., 1st Sess. 2 (1975); S. Rep. No. 168, 94th Cong., 1st sess. 8 (1975) U.S. Code Cong. & Admin. News 1425.
[2] 343 F. Supp. 279 (E.D. Pa. 1972)
[3] 348 F. Supp. 866 (D.D.C. 1972)

Both **PARC** and **Mills** became symbols of the constitutional claims of children with disabilities to a public education. Both cases also provided a linkage between the goal of equality of educational opportunity and the assumption that procedural safeguards provide the best means of translating the legal rights of children into meaningful educational placements and programs.[4]

Federal Legislation

Due to the nation's increased awareness of the plight of disabled children in receiving a quality education, the relevant case law, and a new commitment on the part of the federal government, **The Education for All Handicapped Children Act**[5], or EHA, was passed and signed into law in November 1975. The purpose of the EHA was to induce state and local school officials to improve upon the inadequate methods of educating children with special needs. The goal of the legislation was to provide children with disabilities access to public education and require states to adopt procedures that would result in individualized consideration of and instruction for each handicapped child.[6]

The EHA provided federal money to assist state and local agencies in educating handicapped children. However, the federal government conditioned the receipt of funding upon each state's compliance with a set of minimum requirements.[7]

In order to receive federal financial assistance, each state must submit a plan which describes in detail the goals, programs, and timetables under which the state intends to educate each handicapped child within their borders. Compliance is assured by provisions which permit the withholding of federal funds upon the determination that a participating state or local agency has failed to satisfy any requirement of the Act.[8] New Jersey has elected to participate in the federal program to help finance the education of handicapped children within the state. The state's participation is reflected in N.J.S.A. 18A:46-1 to -46, N.J.A.C. 6:28-1 to -11, and **Lascari v. Board of Education.**[9] In brief, each state must meet the following requirements:

1. To have "in effect a policy that assures all handicapped children the right to a **free appropriate public education**."[10] A free appropriate public education is defined in the statute as special education and related services which have been provided at public expense, under public supervision and direction without any costs. It further states that this education and the necessary related services must be in conformity with the child's Individualized Education Plan (IEP).[11]

2. To provide **protective, due process rights** for all disabled children and their parents in order to ensure free, fair and unbiased assessment, placement and programming for students with special needs. This portion of EHA imposed extensive procedural requirements

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[4] Engel, **Law, Culture, and Children with Disabilities**, 1991, Duke L. J. 166, at 173.
[5] P.L. 94-142, 20 U.S.C. Section 1401 et seq.
[6] **Hendrick Hudson District Board of Education v. Rowley**, 458 U.S. 176, 102 S.Ct. 3034, 73 L.Ed.2nd 690 (1982).
[7] **Rowley,** 458 U.S. at 179, 102 S. Ct. at 3037.
[8] Section 1414(b)(2).
[9] 116 N.J. 30, 560 A.2d 1180 (1989).
[10] 20 U.S.C. Section 1412(1).
[11] 20 U.S.C. Section 1401(16).

upon the states receiving federal funds under its provisions. Such requirements include notifying parents of any changes in their child's IEP, and permitting a parent to bring a complaint about any matter relating to their child's evaluation and education.[12] Thus, although the Act leaves to the states the primary responsibility for developing and executing specific education programs for their state's handicapped children, it imposes significant requirements to be followed in discharging this responsibility.[13]

3. To provide education in the **least restrictive environment**.[14] The Act requires each state to establish procedures that assure, to the maximum extent appropriate, that handicapped children are educated with children who are not handicapped. Further, special classes, separate schooling or other removal of handicapped children from the regular classroom environment should only occur when the nature of the child's handicap is so severe that an education in a regular class with the use of supplementary aids and services cannot be achieved satisfactorily.[15] The goal of this section of the statute was to prevent systematic exclusion of handicapped children from mainstream schools and classes and to integrate these children with nondisabled children.[16] Thus, Congress created a statutory preference for educating handicapped children with nonhandicapped children.[17]

4. To develop an **Individualized Educational Program (IEP)** for each student receiving services under the Act. An IEP is a detailed written statement arrived at by a multi-disciplinary team which is a summary of the child's abilities. It also outlines the specific goals for the child's education and specifies what related services are necessary.[18]

5. To require **parental involvement** in all decisions regarding the programming for those students with special needs. Parents are required to be involved in all decisions concerning their child's education unless they specifically waive the right do so.

Pursuant to an amendment effective October 1, 1990, EHA became known as **Individuals with Disabilities Education Act (IDEA)**. There were a number of changes made by the amendment including changing "handicapped children" to "children with disabilities." Further, many of the discretionary programs which were authorized under EHA were expanded under IDEA. Some of the new discretionary programs include special programs on transition, a program to improve services for children and youth with serious emotional disturbance, and additional research on Attentive Deficit Disorder.[19]

The federal funding formula was also changed in 1990 with the passage of the IDEA amendment. Originally, under the EHA, funds were distributed based on the number of all children (population) in the state, who were between the ages of three and twenty-one. However,

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[12] Section 1415(b)(1).
[13] **Rowley**, 456 U.S. at 183.
[14] Section 1412.
[15] Section 1412(5)(b).
[16] Engel at 175.
[17] **Rowley**, 485 U.S. at 181 N.4.
[18] Section 1401(19).
[19] National Information Center for Children & Youth With Disabilities News Digest, "The Education of Children and Youth with Special Needs: What Do the Laws Say?", Volume 1, Number 1, 1991, p. 5.

under IDEA, the allocation of funds is based on a flat-grant formula based on the number of students who are identified for special education.[20]

New Jersey's statutory and regulatory guidelines have paralleled those guidelines set forth in IDEA.[21] In both the federal and New Jersey regulations, there are thirteen classifications of students eligible for special education services.[22] Each classification has a formula, which when calculated, is the amount of funding a school district will receive for a child in that classification. The particular classification is based on the evaluation of the child study team. In order for a child to be eligible for special education services, the child is required to be given one of the following classifications:

- auditorily handicapped
- autistic
- chronically ill
- communication handicapped
  communication handicapped
  eligible for speech/languages services
- emotionally disturbed
- mentally retarded
  educable, trainable
  eligible for day training
- multiply handicapped
- neurologically impaired
- perceptually impaired
- preschool handicapped
- orthopedically handicapped
- socially maladjusted
- visually handicapped

There is a great deal of vagueness and flexibility in the definitions of the above classifications and thus with the determination of the classification that would best suit a child with special needs. The special education labels are so ambiguous that classifications vary from state to state, and often district to district.[23]

The reason for such vagueness in both IDEA and the state regulations is that both federal and state laws are designed to meet the procedural needs of a student and their parents, rather than substantive needs. When EHA was passed, its purpose was to provide children with disabilities with an appropriate education in the least restrictive environment. Both of these goals have remained vague in theory as well as in practice, with few articulated guidelines to shape the substantive content of those rights.[24]

There are a number of reasons why Congress chose for those substantive rights to lack specificity and the procedural rights to be very specific. First, states and localities feared that the federal government would usurp control over educational standards by formulating specific substantive rights for disabled children. Note, **Enforcing the right to an "Appropriate" Education: The Education for All Handicapped Children Act of 1975.**[25] Thus, a

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[20] Center for Special Education Finance. "Federal Policy Options for Funding Special Education," Brief No. 1. Fall 1993, p. 2.
[21] N.J.S.A. 18A:46A, N.J.A.C. 6:28.
[22] 34 CFR Section 300.7, N.J.S.A. 18A:46-1, N.J.A.V. 6-28-3.5.
[23] "Separate and Unequal", **U. S. News and World Report**,, December 13, 1993, at 48.
[24] Parrish, at 176.
[25] Harv. Law Rev. 1103, 1109 (1979).

statutory approach which emphasized process would leave the substantive standards to the states and individual school districts, the more traditional approach to educational decision-making. Second, the variety of disabilities and needs made it difficult to formulate universally applicable substantive standards.[26] Finally, the drafters believed that detailed procedural, rather than substantive standards would provide better protection for children with disabilities and their parents, who might seek to challenge local districts. The drafters of the EHA chose to rely on procedural safeguards or rights as a means of achieving the broader, substantive goals.[27]

Congress' decision not to provide guidance to states by developing specific substantive rights for disabled children has led to a number of important cases that have come about since the passage of EHA in 1975. The cases have attempted to answer questions left unanswered by the vagueness of substantive standards in both EHA and IDEA.

Judicial Interpretations

The first important United States Supreme Court decision which addressed the issues of EHA was **Hendrick Hudson District Board of Education v. Rowley.**[28] The majority opinion written by Justice Rehnquist held that "free appropriate public education" required only that a school district provide "access to specialized instruction and related services which are individually designed to provide educational benefit to the handicapped child."[29] The Court interpreted EHA as imposing "no clear obligation upon recipient States beyond the requirement that handicapped children receive some form of specialized education..."[30] Thus, even if the benefit was less than that received by non-"handicapped" children, as long as some educational benefit occurred, the requirements of EHA were satisfied.

In 1988, the Third Circuit Court of Appeals gave a broader interpretation to the substantive rights of disabled children in **Polk v. Central Susquehanna Intermediate Unit 16.**[31] In reviewing the EHA, its legislative history and the **Rowley** decision, the Court held that in order to ensure that each disabled child received a free appropriate public education it was required that the child receive more than just trivial educational benefit.[32] The Court reasoned that the self-defined purpose of the EHA was to provide "full educational opportunity to all handicapped children."[33] Further, the Court argued that the legislative history indicated that self-sufficiency was one of Congress' educational goals, suggesting that the "benefit" conferred by the Act must be more than de minimis.[34]

The Fifth Circuit Court of Appeals in 1989, gave an even broader interpretation to the rights of disabled children in **Daniel R.R. v. State Board of Education.**[35] The Court devised

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[26] Parrish, at 176.
[27] Parrish, at 177.
[28] 456 U.S. 176, 1981.
[29] **Id.** at 201.
[30] **Id.** at 195.
[31] 853F 2nd 171 (3rd Cir. 1988).
[32] **Id.** at 180.
[33] Section 1412(2)(A).
[34] **Id.** at 181.
[35] 874 F. 2nd 1036 (5th Cir. 1989).

a two-pronged test in determining whether a school district was complying with EHA's mainstreaming requirements. The first prong was to determine whether education in the regular classroom, with the use of supplemental aids and services, can be achieved satisfactorily for a given child.[36] If it could not, and the school intended to provide special education or to remove the child from regular education, then the second prong was to evaluate whether the school had mainstreamed the child to the maximum extent appropriate.[37]

The Court also listed a group of factors which were to be used in determining whether the school district was satisfying the first prong of the test. This list included:

1. whether supplementary aids and services were being provided in mainstreaming handicapped children;

2. whether the child would receive an educational benefit from regular education;

3. an examination of the child's overall educational experience in the mainstreamed environment, which balanced the benefits of regular and special education for each child; and

4. an examination of what effect the handicapped child's presence had on the regular classroom environment and thus, on the education the other students were receiving.[38]

As recently as 1993, the Third Circuit Court of Appeals decided a New Jersey special education case whose holding received national attention. In **Oberti v. Board of Education**,[39] the Appellate Court adopted the two-pronged test as well as the four factors set forth in **Daniel R.R.** The Court articulated the importance of providing standards for determining whether a school district was following the mainstreaming requirements of IDEA, particularly since there is an inherent tension between the strong preference for mainstreaming[40] and the requirement that schools provide individualized programs tailored to the specific needs of each disabled child.[41]

The lack of guidance by both the federal and state government concerning the substantive issues of special education has led to a larger problem concerning the placement of disabled children being driven by funding formulas. Throughout the nation, special education programs often operate in ways that are designed to attract state and federal money to local school districts. Such programs may not necessarily serve the students in the best way possible. In nearly two thirds of the 50 states, reimbursement formulas for special education programs had an impact in determining the number and types of programs funded.[42]

Further, since the federal and state regulations are vague in the area of classification, the system may lend itself to frequent inaccurate evaluations of special education students. This can

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[36] Section 1412(5)(B), **Id.** at 1048.
[37] **Id.** at 1048.
[38] **Id.** at 1048-1049.
[39] 993 F. 2nd 1204 (3rd Cir. 1993).
[40] Section 1412(5)(B).
[41] Sections 1401, 1414(a)(5), **Id.** at 1214.
[42] "Separate and Unequal" at 47.

increase both the size and cost of the special education system. For example, of the 13 listed classifications, only deafness and blindness can be measured objectively. The way in which the other classifications are measured is much more subjective. This can lead to mislabeling and/or over-labeling.[43] Such subjectivity leaves a great deal of power in the hands of the school district in determining the placement of children, and thus the level of funding that the district will receive because of that placement. Since the implementation of IDEA, the number of students in special education has increased yearly. Today, approximately 10% of our nation's students are enrolled in some form of special education programs.[44]

Recently, there has been a renewed interest in changing funding policy of special education. One of the changes being discussed is a return to the way EHA distributed funds, which based allocations to the states on the number of children between the ages of three and twenty-one.[45] The proponents of change argue that such a change will be more cost-effective, will assist students who will be better served outside special education, will minimize the incentives for over-identification, and will protect the procedural safeguards set in place by the federal and state guidelines.

A great deal of attention has also been focused on the struggle between the parents of a classified child and the school district when there is disagreement between the parties concerning the proper placement of the child. If the parents, in this case, choose to place their child in a private school setting rather than follow the child study team's recommendation as set forth in the IEP, the responsibility for payment of the private school education is the issue. While the child's placement in the least restrictive environment remains under discussion and the payments to the private school mount, the questions are increasingly being answered by the court system.

In 1985, the Court in **Burlington School Committee v. Department of Education**, addressed these issues. The **Burlington** Court determined that parents who "unilaterally" place the child in a private special education school are entitled to reimbursement if the Court ultimately determines that the private placement, rather than the proposed IEP, was proper under EHA. EHA's grant of equitable authority empowered a court to order a reimbursement by a school authority.[46] (It is presently the same under IDEA.)

In a 1989 case the U.S. Court of Appeals for the Second Circuit held that parents could not be reimbursed for a unilateral private-school placement if they put their child in a school that was not approved by the state education agency. **Tucker v. Bay Shore Union Free School Dist.**[47]

However, in 1993 the U.S. Supreme Court overturned this ruling in **Florence County School District v. Carter**, holding that school districts may be ordered to reimburse tuition and other expenses for private schools, even if the private school did not meet state educational

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[43] **Id.** at 49.
[44] **Id.** at 47.
[45] **Federal Policy Options for Funding Special Education**, p. 2.
[46] 471 U.S. 359, 369 (1985).
[47] 873 F. 2nd 563, 568 (2nd Cir. 1989).

standards pursuant to Section 1401(a)(18)*, or was not on a state approved list. The Court argued that the section's requirements can never be met in the context of a parental placement. Thus, to interpret those sections to apply to parental placements would effectively eliminate the right to unilateral withdrawal by a parent, a right which was recognized under **Burlington.** It would further defeat IDEA's purpose of ensuring that children with disabilities receive a free appropriate education.[48]

The Court further concluded that a parent who unilaterally changes their child's placement during the pendency of IDEA review proceedings will only be entitled to reimbursement if a federal court concludes both that the public placement violated IDEA and that the private placement was proper under the Act.[49] However, parents are not entitled to total reimbursement if the Court determined that the cost of the private placement was unreasonable.[50]

The Rehabilitation Act of 1973

Besides the IDEA legislation, the rights of individuals with disabilities were significantly strengthened under the federal law with the passage of Section 504 of the Rehabilitation Act of 1973. Unlike IDEA, which is an entitlement, Section 504 is a civil rights act, which provides individuals with disabilities basic civil rights protection against discrimination in federal programs.[51]

Section 504 states that "no otherwise qualified handicapped individual in the United States shall, solely by reason of his (or her) handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance."[52] To be eligible for the protections under Section 504, an individual must meet the following definitional requirements of a disabled person. This definition states: "Any person who (i) has a physical or mental impairment which substantially limits one or more of such person's major life activities, (ii) has a record of such an impairment, or (iii) is regarded as having such an impairment."[53]

While IDEA provides assistance to any child who falls under one of the 13 specific disability categories, Section 504 extends to any individual who meets the above definitional requirements. Thus, the definition of "disability" is much broader under Section 504 than the 13 specific categories articulated in IDEA.

Section 504 also assures equal opportunities for children and youths with disabilities in all schools receiving federal funds, including preschools, elementary and secondary schools, and

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* Section 1401(a)(18) defines free appropriate public education as, "special education and related services that (A) have been provided at public expense, under public supervision and direction, and without charge, (B) meet the standards of the state educational agency, (C) include an appropriate preschool, elementary, or secondary school education in the state involved, and (D) are provided in conformity with the individualized education program...."

48 **Id.** at 365.

49 **Id.** at 366.

50 **Id.** at 366.

51 Section 104.4.

52 Section 104.4.

53 Section 104.3(j).

post-secondary institutions. Any agency (which includes school districts, colleges, universities, vocational education and adult education programs, state and local governments, places of employment, hospitals, clinics and public and private groups who receive federal financial assistance) that persists in acts of discrimination faces losing federal funds.

Special Education and Private Schools

When a child with disabilities is voluntarily placed by his/her parents in a private school the local school district is not required to pay for the child's education.[54] However, the school district is still required to provide the child with a free appropriate education should the child return to the public school.

Under Part C of IDEA, parentally-placed children with disabilities do not have an individual entitlement to services. The school districts are not required to provide those children with all of the services under Part B to which they would be entitled had they been students in the pubic schools. However, the district must provide that child with a genuine opportunity for equitable participation in special education programs conducted by local school districts to be in compliance with 34 CFR Section 300.450-300.452. Thus, the services offered to these children must be comparable in quality, scope, and opportunity for participation to the services provided to public school students.

In the recent U.S. Supreme Court decision of **Zobrest v. Catalina Foothills School District**[55] the Court held that if a child with a disability chooses to enroll in a sectarian school, the Establishment Clause of the First Amendment does not prevent the school district from providing the student with a sign language interpreter at the sectarian high school in order to facilitate the child's education at that school.

N.J.S.A. 18A:46A-1 et seq. (Chapter 192, Laws of 1977) as amended authorizes the provision of auxiliary services (compensatory education, English as a second language, and home instruction) to pupils enrolled full-time in nonpublic elementary and secondary schools in the state. N.J.S.A. 18A:19.1 et seq (Chapter 193, Laws of 1977) as amended authorized the provision of remedial services (examination and classification, supplementary instruction, and speech correction) for handicapped pupils enrolled full-time in nonpublic elementary and secondary schools in the state. In accordance with the federal law[56], the pupil's district of residence is responsible for all special education services beyond those provided by the district where the nonpublic school is located under Chapter 192 or 193. In the absence of Chapter 193 state funding, the pupil's district of residence must, in accordance with IDEA (20 U.S.C. 1400 et seq.), make available all special education services.

The public school district responsible for the Chapter 192 and Chapter 193 services is not permitted to provide instructional service in a sectarian nonpublic school for instructional services.[57] To provide the Chapter 192 and 193 instructional services to pupils enrolled in a

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[54] 34 CFR Section 300.403(a).
[55] 113 S. Ct. 2462 (1993).
[56] IDEA (20 U.S.C. 1400 et seq.).
[57] N.J.A.C. 6-28-6.2(f).

sectarian nonpublic school, the public school district has the following options: public school or neutral site; trailer or mobile unit placed on the nonpublic school property; or a computer that is placed in the nonpublic school. In a sectarian school, the public school district may only provide diagnostic services such as testing and medical services.

CHAPTER IV

PATTERNS OF SPECIAL EDUCATION IN NEW JERSEY

New Jersey has a comparatively high rate of students in the school-age (6-17) range receiving special education services, around 15 percent -- with about 70 percent of these having various kinds of major disabilities, and the rest classified as speech-impaired.[1] The latter is a lesser category, with most services provided in the regular classroom, primarily in the early school years. In fact, only one state, Massachusetts, has a higher rate of classification, by about 1 percentage point, while some big states such as California and Michigan have relatively low rates, around 8 or 9 percent, including speech impairment.[2]

In New Jersey, like most other states, the number of special education students has grown appreciably over the years, climbing from around 150,000 in 1980 to over 180,000 by 1993. In percentage terms, this represents a rise of from 12 percent in 1980 to roughly 15 percent in 1993. This, however, is a lesser rate of increase than found in most other states. It is also an overall rate which appears to have leveled off in recent years.

Within the state of New Jersey, the rate at which students are classified and receive special education services, including speech, varies, with most counties falling within a range of 13-18 percent. There is, not surprisingly, somewhat greater variation among the regular local school districts, this ranging in the vast majority of cases between 12 and 20 percent (again including speech).

A more discerning look at the data, however, reveals some interesting patterns. For instance, an analysis of the data on the basis of socio-economic status -- the District Factor Group ranking of A through J -- indicates that, with one exception, the highest rates of special education student classification are found in the relatively low-income districts, particularly the B and CD groups. These districts have overall rates of 17-18 percent, with this proportion

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[1] This figure of about 15 percent was taken from the New Jersey State Department of Education, Office of Special Education Programs, Special Education: A Statistical Report for the 1992-93 School Year, pp. 3 and 40. As indicated, this figure was arrived at by using the total school enrollment as the denominator in these computations. Many other studies have employed this approach (see, for instance, James Ysseldyke, Bob Algozzine, and Martha Thurlow, Critical Issues in Special Education, 1992, pp. 182-84). One could present another lower figure, around 10 percent, if the total resident population for the years 3 to 21 were used as the base, but this would be a somewhat deceiving figure because the percentage of children aged 3-5 and 18-21 in special programs is fairly small (around 2-to 4 percent). Also, since the population totals for most years are estimated figures, computed with some time lag (even the decennial Census totals are now acknowledged to be an undercount in certain areas), this report has chosen to rely on school enrollment as the base for its computations. For a discussion of the pros and cons of the two methods of computing special education rates, see again page 3 of the Department of Education's Special Education: A Statistical Report for the 1992-93 School Year.

[2] The rates for other states can be found in the U. S. Department of Education, To Assure Free Appropriate Public Education of All Children with Disabilities: Fifteenth Annual Report to Congress on the Implementation of the Individual with Disabilities Education Act (1993).

tapering off by almost a third for the wealthy I and J districts. The one noticeable exception is the A group, which has special education classification rates fairly close to those of the J category. Also, from the standpoint of school district size, the smallest districts have higher rates than the larger systems, ranging from around 20 percent down to 14 percent for districts with over 10,000 pupils, many of which fall into the poorer A category.

New Jersey classifies its special education students into one of a number of categories for purposes of state aid funding. Most, however, are placed in one of four categories -- perceptually impaired (almost 40 percent of the total), speech-impaired (about 27 percent of the total), and in much lesser numbers, neurologically impaired and emotionally disturbed (roughly 10 percent and 7 percent respectively). The number of students classified as perceptually impaired has increased markedly in recent years, almost 80 percent since 1980; the number of neurologically impaired has risen by a somewhat lesser amount, around 60 percent; and the other two categories have witnessed modest declines, by margins of about 10-15 percent since 1980.

One of the major controversies in this field, in both New Jersey and the nation, has revolved around the matter of where special education students are placed to receive the services they need -- in the regular classroom for all or the bulk of the school day, in resource rooms/centers where such students receive special services from 21 to 50 percent of the school day, or predominantly in separate classes, either inside or outside the district, from 50 to 100 percent of school day.[3] New Jersey has a somewhat higher percentage of its special education students placed in separate classes than most other states, about 37 percent compared to the national average of about 33 percent. Conversely, a lower proportion are put in regular classes or resource rooms/centers. Although not a large percentage, New Jersey also has a considerably larger proportion of special education students attending private schools.

Another matter of longstanding concern has been the disproportionate placement of minority students in special education classes. This problem was pointed up by a study conducted by the Department of Education in 1980. It showed that while there was no glaring difference among the races in a number of classification categories, such as speech-impaired and perceptually and neurologically impaired, in certain cases the disparities were marked. For instance, the black rate was twice that of the white rate for the emotionally disturbed, and four times as great with regard to the educable mentally retarded.[4]

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[3] There are other school facilities which take special education students, though in fairly small numbers, such as county special services districts, county vocational schools, private schools, regional day schools, and certain state facilities such as day training centers and residential youth centers. A small number of special education students, less than 1 percent of the total, is given home instruction.

[4] See the N.J. Department of Education, The Status of Minority Group Representation in Special Education Programs in New Jersey (1980), p.6 in particular. In some areas, according to this report, the Hispanic rate was below that of the whites. No breakdown as to gender was provided in this study.

Some problems still exist in this area in the 1990s, particularly if one looks at the data on the placement of minority students, especially minority males, in separate classes. Recent figures show that white and Asian-American students are placed in separate classes at a much lower rate than black and Hispanic students (see Tables 2 and 3). This is a matter which would seem to call for further study.[5]

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[5] Another reason for taking a closer look at these data is that the number of students listed in separate special education classes in the Department's Special Education Plan differ from those reported in the "Current School Enrollment" printout compiled by the Department's Bureau of Information Resource Management too often and by large margins to be fully explained by the difference in the dates of these two documents (October 15th and December 1st of each school year), or because of sending/receiving district arrangements. The overall statewide totals are, however, quite close.

Table 2. Analysis of Special Education Enrollment by Gender and Race/Ethnicity

	Percentage of All Students Classified as Special Education Students (12/1/92)	Percentage of All Students Placed in Separate Special Education Classes (10/15/92)	Percentage of Special Education Students Placed in Separate Special Education Classes
State Average	15.1%	5.6%	37.1%
White males	20.0	6.2	31.0
White females	10.6	3.0	29.1
Black males	22.8	12.1	53.1
Black females	11.3	5.6	49.6
Hispanic males	17.6	9.3	52.8
Hispanic females	9.3	4.4	47.3
Asian & Pac.Isl.males	7.1	2.2	30.9
Asian & Pac.Isl.females	4.0	1.2	30.0

Sources and Comments:

The 12/1/92 data in the first column were taken from the Department of Education's Special Education: A Statistical Report for the 1992-93 School Year, p.40.

The percentages in the second column were computed using data provided in the Department of Education's 10/15/92 "Current School Enrollment" printout and were arrived at by dividing its self-contained (separate classes) special education enrollment totals by the overall school enrollment for the state as a whole and for each gender and race/ethnicity category (similar computations using the 1993 enrollment report reveal much the same pattern).

The figures in the third column were obtained by dividing the percentages in the second column by the special education student percentages in the first column.

Table 3. Percentage of Students in Separate Special Education Classes at High School and Elementary Level, by Gender and Race/Ethnicity, 1993; Selected Urban School Districts

		White		Black		Hispanic		All
		Male	Female	Male	Female	Male	Female	Students
Bayonne	- H.S.	12.3%	5.3%	25.9%	18.3%	19.5%	10.1%	10.9%*
	- Elem.	9.3	4.3	18.5	12.5	13.1	8.4	8.3 *
Camden	- H.S.	sn	sn	15.4	5.7	23.9	7.1	11.5
	- Elem.	15.8	9.2	12.4	6.2	15.1	8.0	10.3
Elizabeth	- H.S.	14.1	5.5	22.4	11.4	13.5	5.4	11.6
	- Elem.	10.0	5.4	15.6	7.2	9.2	4.9	8.4
Jersey City**	- H.S.	7.9	5.4	18.1	5.9	9.2	4.8	8.4
	- Elem.	9.5	5.2	11.0	4.6	7.1	3.6	6.4
Lakewood	- H.S.	7.4	3.5	21.5	7.7	21.3	13.2	10.9
	- Elem.	10.0	6.4	17.3	9.1	10.4	5.0	9.7
Long Branch	- H.S.	13.4	5.5	26.6	14.5	22.0	11.1	14.8
	- Elem.	8.5	5.7	20.9	9.3	19.1	6.8	11.5
Newark	- H.S.	6.2	3.5	12.6	6.1	11.4	5.6	8.5
	- Elem.	3.7	1.3	9.2	3.7	7.2	3.3	5.8
Passaic	- H.S.	sn	sn	19.1	7.1	8.1	3.8	6.8
	- Elem.	7.3	0.8	6.5	2.3	4.4	2.5	3.5
Paterson	- H.S.	4.4	1.2	10.7	5.7	7.0	2.8	6.1
	- Elem.	3.4	3.3	6.7	2.8	6.0	2.5	4.4
Perth Amboy	- H.S.	11.1	0	21.7	6.0	17.0	5.3	11.6
	- Elem.	12.0	5.0	17.7	6.1	9.8	4.0	7.6
Trenton	- H.S.	sn	sn	16.7	5.7	4.2	1.3	10.9
	- Elem.	11.3	6.9	10.4	5.0	12.7	4.0	8.1
Union City	- H.S.	sn	sn	sn	sn	5.1	1.8	3.2
	- Elem.	10.0	3.1	sn	sn	5.4	2.4	4.1

Sn = less than 50 in denominator.

*As a rule, the percentage of Asian and Pacific Island students placed in separate special education classes is too low to include in this table. However, the number of such students in Bayonne is fairly large, making the percentage for all students less than most of the percentages shown for other gender and race/ethnicity groups.

** The regional day school in Jersey City covers both elementary and high school levels, but no breakdown of its special education student total is available. The school was treated as an elementary school in these computations. The number of students enrolled is very small.

Source: Percentages computed from data in the Department of Education's "Current School Enrollment" printout for "on-roll full/shared time" enrollments.

CHAPTER V

SPECIAL EDUCATION SERVICE PROVIDERS

The provision of special education services requires many professionals of differing fields, education levels, and training. Special education staff can be grouped into five categories: 1) instructional staff (teachers of the handicapped, teachers of the blind or partially sighted, teachers of the deaf or hard of hearing, and teacher aides), 2) educational service providers (school nurses, school psychologists, substance awareness coordinators, student personnel services, school social workers, speech and language specialists, and learning disabilities teacher-consultants), 3) diagnostic service providers (child study teams), 4) administration, and 5) a host of medical and theraputic staff (recreational, occupational, and physical). This array of personnel is responsible for the continuum of special educational services: identification, classification, placement, and education. [1]

Identification of students potentially needing special education services occurs through many different channels including parents, regular classroom teachers, and school medical staff such as physicians and psychologists. Each district is responsible for adopting written procedures for pupil identification.

Once identified and after parental consent is obtained, the child is referred to the child study team (CST) which diagnoses, classifies, writes an individualized education plan (IEP) determining the child's educational placement, and monitors the effectiveness of the IEP. Districts are responsible for employing CSTs which are interdisciplinary groups consisting of a psychologist, a learning disabled teacher-consultant, and a school social worker. If the child is three to five years of age, the CST then includes a speech correctionist or a speech-language specialist. The provisions of the IEP are developed at a formal meeting with the CST, parent(s), teacher(s) with knowledge of the pupil's educational performance, and the pupil, if appropriate. In addition, the school personnel identifying the student, the school principal, and other appropriate personnel may participate.

The IEP determines the specifics of the child's education, including placement. According to our interviews, these placement decisions are based on available resources as well as the student's classification. For example, in many small districts there simply is not enough space or students to create a class of special education students; in these situations, the child is sent out of district to fulfill the IEP.

The student placements resulting from the IEPs are the foundation of staff employment decisions within districts. If there is a stable and substantial demand for a type of placement in the district to the point that hiring personnel is less expensive than sending the child out of district (tuition and transportation costs), then the hiring will occur. This cost/benefit analysis is usually conducted by either the business manager or superintendent of the district.

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[1] Special education personnel information is derived from the Special Education: A Statistical Report for the 1992-93 School Year and a list of the certification requirements obtained from the Department of Education.

Major Issues in Special Education Staffing

Tight local district budgets caused by minimal federal aid, frozen state aid, and the high cost of hiring teachers and other staff to provide an appropriate education according to each child's IEP were a major issue in those districts in which interviews were conducted. The "inclusive" education movement, coupled with federal and state requirements for a "least restrictive environment," exacerbated this problem by pushing for all students to be in a regular education classroom with appropriate support staff. Moving a child back into his/her home district and/or into a regular education classroom can mean hiring more teachers, classroom aides, and often providing physical services such as physical therapy or occupational therapy. Such a move contributes to the cost burden on districts because they receive no state aid for classroom aides, physical therapists, or occupational therapists.

In addition to cost considerations, including special education students in the regular classroom often creates conflict among school staff. While many special education teachers are well versed in inclusive educational philosophy and anxious to put it into practice, many regular education teachers, especially on the secondary level, have never taken a special education class, much less possess a working knowledge of inclusive educational philosophy and practice. This lack of understanding and the new duties of the regular education teacher associated with an inclusive setting result in resistance and apprehension in embracing inclusion.

Administrators reported that regular education teachers frequently expressed their reservations toward preparing different homework assignments and creating different evaluation criteria for special education students in their classroom. In addition, many regular education teachers felt that the emotionally disturbed special education students caused serious disruptions and constituted an undue discipline problem hindering the learning of all the students.

Teacher Preparation and Certification

In light of the inclusive education movement, certification requirements for special education and regular education need examination. In general, the certification for special education instruction requires 45 semester-hour credits in general education, 30 semester-hour credits in the area of specialization, and at least one semester of student teaching or equivalent experience in the classroom. Regular education elementary and secondary teachers, however, usually are not required to take a single special education class, leaving these teachers unprepared for an inclusive educational environment. Some universities such as Rutgers have initiated programs which require regular elementary education teachers to take a course which covers inclusive education and examines the needs of special education students in the regular classroom.

In addition to the course offerings, the student teaching experience of both regular and special education undergraduate and graduate students offer little exposure to the practice of inclusive education. With few districts in New Jersey having fully embraced an inclusive education policy, the opportunities for a student to teach in such an environment are limited. In general, those who receive a degree in special education expect to enter an inclusive class setting while those in regular education classrooms do not. This disparity sets the stage for future conflict and continued isolation between regular and special education teachers and institutions.

Like regular education teachers, salary for special education teachers is dependent upon educational degree and experience. All special education teacher and staff salaries are negotiated between the local school boards and local teacher organizations. Standard formulas based on degree and experience have been developed in each district to determine teachers' salaries. Special education degrees and experience are weighted no more or less than regular education teachers.

Trends in Staff Placement

An analysis of staff placement ratios since 1980 illustrates the impact of increased special education population, the push toward inclusion, and the effects of the 1991 administrative code change from resource rooms to resource centers on hiring and placement.[2] To understand the full impact of these forces on staff placement, three categories of staff need to be examined: instructional staff, diagnostic staff (CST members), and special education administrators.

Although there has been a dramatic increase in the special education staff from 17,174 in 1980 to 25,409 in 1992, the ratios of different staff to the student population whom they serve has essentially remained constant except for classroom aides and resource room teachers. From 1980 to 1987 the ratio of classroom aides to special class pupils held constant around 1:18; from 1987 to 1992, however, the ratio decreased from 1:17.7 to 1:14.7 which may indicate that classroom aides are being used more frequently. The ratio of teachers to pupils in resource centers has followed a different pattern. While this ratio was stable at around 1:12.5 from 1986 to 1991, it increased to 1:13.5 in 1992. This change may be the result of an administrative code change which allows for in-class resource rooms and increases the number of pupils per teacher allowed in this placement.[3]

In addition to the teacher/student ratio, there has been an increase in the percentage of resource room teachers among special education instructional staff. From 1980 to 1991, about 20% of the instructional staff were resource room/resource center teachers; in 1992, however, the percentage increased to 24%. This increase in resource center staff and decreasing class aide ratio follow an inclusive movement in student placement toward a greater percentage of resource centers, particularly in-class resource centers (see Table 9).

Examining the ratios of diagnostic personnel to CST classified pupils reveals an increasing case load for psychologists and learning disabled teachers/consultants (LDT-C) as opposed to a decreasing case load for social workers. From 1986 to 1990, the ratio of psychologist to CST classified pupils for the most part remained stable around 1:118; however, between 1990 and 1992, the ratio increased to 1:126. The LDT-C population exhibited a similar pattern remaining stable around 1:99 until 1990 and increasing to 1:105 in the next two years. Social workers, however, show a consistent decrease in their caseload starting at the 1986 level of 1:119 and reaching 1:109 as of 1992 (last available year). It appears that these changing ratios do not result from any administrative code change but from changes in district hiring practices.

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[2] These comparisons are based on state averages, and it should be noted that variability exists among districts with respect to their staffing ratios. With districts varying considerably in size, resources, pupil needs, and educational philosophy, their staffing ratios can be substantially varied.

[3] All staff statistics are from Special Education: A Statistical Report for the 1992-93 School Year by the New Jersey Department of Education, Office of Special Education Programs.

In looking at special education administrators, the ratio of special education administrators to CST classified students reached a low of 1:204 in 1984 and has gradually increased to 1:236 in 1992. Similarly, the ratio of special education administrators to special education staff reached a low of 1:42 in 1984 and has now stabilized around 1:48. In fact, between 1990 and 1992, there was no increase in special education administrators and a slight decrease in instructional staff while the special education population increased by 10,303 (as reported in the 1990, 1992 ASSA reports). Over the last few years, districts appear to be handling their increased special education population and corresponding costs without an increase in instructional staff or administrators.

CHAPTER VI

THE SPECIAL EDUCATION AID SYSTEM

The Pre-1976 Pattern

Prior to 1976, the state of New Jersey provided funding for special education programs on a class, rather than a pupil, basis. Starting with the first state legislation of its kind in 1911, New Jersey mandated special classes for the deaf, blind, and mentally retarded and paid part of the salary for teachers of the handicapped. Subsequent laws culminating with the Beadleston Acts of 1954 and 1959 broadened the coverage of special education and paid one-half of the cost of such programs plus basic state equalization and minimum aid, although payments of state aid lagged two years behind local expenditures. By 1975-76, state aid for special education amounted to about $63,000,000. When this sum was combined with approximately $24,000,000 of equalization and minimum aid paid to school districts on behalf of special education pupils, state support constituted 52% of the estimated $166,000,000 total cost of special education.[1]

The Public School Education Act of 1975 (Chapter 212) 1976-77 to 1990-91

With the enactment of Chapter 212 of the Laws of 1975, the Legislature established an almost completely new structure for state aid in New Jersey. The law resulted in a substantially increased amount of basic state financial support for all educational expenditures, with the major feature being a program of current expense equalization aid distributed through a guaranteed tax base formula under which the state paid a larger percentage of the budget in poor districts and a smaller percentage in wealthier places.

Included in the law, which became effective for the first time in 1976-77, was a new pattern of calculating state aid for special education based on the number of pupils placed in each special education class for those with a particular disability. Instead of reimbursing local districts for half of their two-year-old special education expenditures, special education aid for each district now was calculated by multiplying:

Categorical Aid Units				Base Budget	
Number of Pupils in Each Category as of September of the Prior Year	X	Additional Cost Factor for the Category	X	Prior-Year State Average Net Current Expense Budget per Pupil	= Special Education Aid

By specifying a single additional cost factor to be used statewide for each disability, the law shifted the basis for aid calculations:

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[1] New Jersey Department of Education, Division of Administration and Finance, State Support for Special Education Programs, Part I - A Status Report, October 17, 1977, pp.1-7.

from: each district's actual expenditures for the programs run and tuitions paid

to: the state average additional expenditure for children in a particular category

Additional Cost Factors for Special Education Classes -- In calculating the additional cost factors which were placed in the law for children in special education classes, the Department of Education decided that child study team expenditures were not an appropriate special education cost "...since two-thirds of pupil referrals are not classified into special education programs..."[2] The special education additional cost items which were accepted as appropriate included those in the Instruction Account (supervision, teachers, aides, textbooks, materials, and supplies), Health (special medical costs), Tuition (excess costs of special education), and Special Education Equipment.

The procedure followed was:

(1) The state total of expenditures for classes for each special education disability and the number of such pupils in the category were determined for the latest year from the Special Education Annual Report (Form A4-2).

(2) The state average per pupil expenditure was calculated for each special education disability.

(3) The net current expense budget per pupil was calculated for all pupils and deducted from the average per pupil expenditure for each special education disability.

(4) The remaining figure, representing the average per pupil additional costs for that category, was converted to a ratio of the state average net current expense budget per pupil, and this ratio became the additional cost factor for that category.

Additional cost factors for special education classes in the original law were:

Educable.....	.53
Trainable.....	.95
Orthopedically Handicapped..	1.27
Neurologically Impaired.....	1.06
Perceptually Impaired.....	.85
Visually Handicapped.....	1.91
Auditorially Handicapped....	1.38
Communication Handicapped...	1.06
Emotionally Disturbed.....	1.27
Socially Maladjusted.....	.95
Chronically Ill.....	.85
Multiply Handicapped.....	1.27

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[2] State Support for Special Education Programs, Part I, op.cit. p.25.

Additional Cost Factors for Other Placements -- Several other placement categories were included in the law:

(1) Children placed in a private school for special education as of the reporting date were given an additional cost factor of 1 plus the appropriate additional cost factor for their disability. This was because such children were not counted in the resident enrollment on which equalization aid was based.

(2) Aid for home instruction was calculated on the basis of a factor of .006 times the total hours of instruction provided during the second preceding full school year (e.g. the hours of instruction during 1978-79 generated state aid in 1980-81).

(3) Supplementary and speech instruction was given an additional cost factor of .09 times the total number of pupils receiving such services at any time during the second preceding year.

The use of resource rooms was not covered in the original law.

Updating of Additional Cost Factors -- In the law, the Governor was given the right, beginning on April 1, 1977 and by the same date in every year thereafter, to propose changes in the additional cost factors. If not overridden by a concurrent resolution of the Legislature, the Governor's proposed changes would go into effect automatically for the fiscal year beginning 15 months later.

In the Spring of 1977 Governor Byrne proposed a substantial revision of the original cost factors, and they were allowed to go into effect for the 1978-79 school year. While some factors were increased, others were decreased, and the assumption was that the new factors represented a valid re-calculation of the factors in the law, with the Department of Education using the same techniques followed in determining the original cost factors. A subsequent report by the Department of Education demonstrated that the new factors would, in fact, result in a 3% increase in special education aid if all other conditions were held constant.[3]

In the following year the situation was quite different. On March 31, 1978, Governor Byrne again forwarded a new set of additional cost factors to the Legislature, but this time it quickly became known that the figures proposed represented an across-the-board 16% reduction from a new set of cost factors which had been calculated by the Department of Education. A heated controversy ensued, but critics of the changes failed to persuade the Legislature to override the Governor's proposals, and the new cost factors went into effect for 1979-80. Included was a reduction in the private school factor from 1.0 plus the factor for the disability to 0.84 plus the factor.

The cost factors implemented in 1979-80 remained in effect for three years. Starting in 1982-83 the annual revision of additional cost factors for special education funding became routine, and this pattern continued through 1990-91. If the calculations were in any way manipulated, or if the Governor's office dictated changes, this did not become general

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[3] State Support for Special Education Programs, Part I, op.cit., Table 4.

knowledge or generate public controversy. Table 4 shows the additional cost factors in effect for each year from 1976-77 through 1992-93.

County Special Services Districts -- County special services districts, authorized by law in 1971 to provide education and treatment of handicapped children, were outside the normal funding formulas for special education set up by Chapter 212[4]. These districts were authorized to charge up to 50% of their operating costs as tuition to be paid by local school districts. The balance of their costs, following approval by a board of school estimate on which the board of chosen freeholders had a majority vote, was covered in equal shares by a county appropriation and by state aid. State aid funds sometimes were appropriated as a portion of current expense equalization aid and sometimes as a separate budgetary line item, but never as part of special education aid under the regular formula. Non-formula special education aid to county special services districts, which is not included in other tables in this report, was:

1977-78	$ 5,000,000
1978-79	5,000,000
1979-80	7,000,000
1980-81	8,000,000
1981-82	9,000,000
1982-83	10,674,000
1983-84	12,449,000
1984-85	13,264,000
1985-86	14,495,000
1986-87	16,486,000
1987-88	18,877,000
1988-89	21,782,000
1989-90	28,724,000
1990-91	34,950,000

Initial Criticisms of the Law -- The special education elements of Chapter 212 quickly became subject to criticism. A position statement by the New Jersey School Boards Association (NJSBA) complained that the new system of additional cost factors based on average costs resulted in less state funding in most districts than would have occurred under the old system.[5] The statement then went on to summarize a variety of criticisms made by the North Jersey Special Education Association:

(1) The system promotes the classification and labeling of children, since the more children classified the more state aid funds are provided.

(2) The formula could lead to misclassification of children because of the varying additional cost factors for different handicaps.

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[4] Chapter 271, Laws of 1971.

[5] New Jersey School Boards Association, "Position Statement: Special Education Reimbursement," 4-14-77.

Table 4. Special Education Aid Additional Cost Factors, 1976-77 to 1992-93.

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
Special Education Classes:																	
Educable	.53		.59	.42			.52	.45	.41	.45	.51	.43	.41	.38	.40	.60	
Trainable	.95		1.19	.79			.89	.81	.76	.79	.91	.78	.70	.71	.80	.99	
Orthopedically handicapped	1.27		1.85	1.14			1.25	1.05	.89	.99	.86	1.73	.74	1.05	.79	1.70	
Neurologically impaired	1.06		.86	.73			.72	.62	.57	.59	.56		.48	.43	.38	.42	
Perceptually impaired	.85		.49	.43			.25	.30	.28	.24			.21	.15		.12	
Visually handicapped	1.91		2.73	1.52			1.24	1.39	1.35	1.07	1.20	1.27	1.97	2.17	1.73	2.79	
Auditorially handicapped	1.38		1.87	1.07			1.40	1.80	1.32	1.51	1.60	1.62	1.33	1.51	1.61	1.63	
Communication handicapped	1.06		1.79	1.20			1.02	.96	.84	.81	.93	.69	.61		.50	.84	
Emotionally disturbed	1.27		1.31	.84			.88	.79	.68	.79	.78		.69	.66	.63	1.09	
Socially maladjusted	.95		1.00	.70			.60	.56	.50	.53	.65	.42	.45	.48	.39	.67	
Chronically ill	.85		.10	.31			.36	.05	.04	.43	.29	.57	.54	.70	2.06	2.23	
Multiply handicapped	1.27		1.78	.87			.97	1.14	1.12	.93		1.03	.77	.82	.57	1.05	
Autistic	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.84	
Pre-school handicapped	--	--	--	--	--	--	.23				.41	.21	.31	.20	.31	--	--
Full Day	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	.30	.60
Half-Day	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	.30	
Special Education Facilities and Svcs.:																	
Supplementary and speech instruction	.09			.08												.18	
Private school *	1.00			.84												--	--
Home instruction **	.006			.005												.0025	
Resource rooms	--	--	--	.59			.60									.45	
Classes in State Facilities:																	
Residential facility for retarded	--	--	--	--	1.26			1.42				1.69	2.07			1.72	
Day training center	--	--	--	--	2.07			2.23		2.37			2.85			2.37	
Residential youth center	--	--	--	--	1.06			1.22		1.33			1.67			1.39	
Training school or correct. facility.	--	--	--	--	.27			.43		.50				.67	.71	.56	
Child treatment cntr.-psyc. hospital.	--	--	--	--	.16			.32		.95			1.24			1.03	
County Special Services Districts	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.38	
County Vocational Special Education	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	.59	
Regional Day Schools	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.38	

* Additional cost factor for private school is figure indicated plus the additional cost factor for the specific handicap.

**Home instruction additional cost factor is multiplied by the number of hours of instruction, rather than by the number of pupils involved.

Source: Ernest C. Reock, Jr., State Aid for Schools in New Jersey, 1976-1993, Part II-Tables and Charts, Table 13, Rutgers University Center for Government Services, April 1993.

(3) Local school districts will be tempted to fill special education classes to capacity since their state aid is on a per pupil basis, while their costs are largely on a class basis.

(4) Schools will be financially rewarded for sending classified children to private schools by the 1.0+ additional cost factor used here.

(5) There are no provisions in the law providing state aid for resource rooms, thereby penalizing the placement of pupils in the least restrictive environment.

(6) Incentives to provide competent and meaningful programming are removed because:

   (a) the 1.0+ additional cost factor will encourage private school placements.

   (b) use of September 30 of the pre-budget year as the reporting date for special education enrollment will make it difficult to establish new programs during a school year.

   (c) specialized services within regular classrooms are no longer encouraged, inhibiting mainstreaming possibilities.

(7) The formula is inflexible and does not allow for varying program costs in different districts.

(8) State aid for child study teams is eliminated on the erroneous assumption that such a team serves all children when it really exists to serve handicapped children.

A subsequent report by the Department of Education summarized a similar list of criticisms and dealt directly with some of them.[6] The potential for misuse of the power to classify for financial gain was acknowledged, but the Department discounted its extent, arguing that a "conspiracy" among the members of the child study team would be necessary in order for it to take place. It was pointed out that the 1.0+ cost factor for private school placements was justified because such students were not counted in the resident enrollment on which equalization aid was based. The absence of an additional cost factor for resource rooms was acknowledged as inhibiting compliance with federal legislation urging "mainstreaming" or "inclusion" of handicapped pupils in regular classes to the maximum extent possible. In fact, within a month after the report was released an amendment to Chapter 212 did provide an additional cost factor for resource rooms.[7] The report reiterated the Department's view that the cost of child study teams should not be covered directly by special education aid since they provide services to the entire student body and equalization aid covers a portion of their expenses. The report concluded with an examination of several alternative funding plans for special education aid, none of which ultimately were implemented.

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[6] New Jersey Department of Education, State Support for Special Education Programs, Part II - Funding Alternatives, February 1978, pp. 1-7.

[7] Chapter 445, Laws of 1977, signed March 2, 1978.

Fiscal Impact -- State aid for special education increased from $63 million in 1975-76 to $71 million under Chapter 212 in 1976-77, a 13.6% increase. Despite the complaint of the NJSBA that most school districts received less special education aid than they would have received under the old laws, the Department of Education estimated that such aid had grown from 52% of all costs for special education pupils to 60% in the same period. In addition to the increase in special education aid itself, this was due to a substantial increase in state equalization aid as a percentage of regular education expenditures. Since special education aid merely dealt with the additional costs over the regular budget, a combination of the two programs resulted in the higher percentage figure for special education pupils.[8]

The Quality Education Act (QEA) 1991-92 to 1992-93

In the summer of 1990, acting under the threat of a court decision in the case of Abbott v. Burke, the Legislature and Governor enacted the Quality Education Act (QEA), a sweeping revision of the laws providing for state aid to local school districts.[9] The guaranteed tax base formula included in Chapter 212 was replaced by a foundation program which calculated the state aid due to each district on a per-pupil basis, minus a local fair share which the district was expected to raise from its own taxable resources. Before being implemented for the 1991-92 school year, the law was revised in early 1991.[10] The basic structure of the law remained unchanged, however.

The QEA retained the same approach to special education aid contained in Chapter 212. Aid was still calculated as the average additional cost for each pupil placed in a special education program. Additional cost factors for classes intended for each classification of disability were included in the law, as were factors for students in other kinds of special education program.

While the approach and structure of special education aid remained the same, there were a number of changes in details:

(1) Every existing additional cost factor was changed.

(2) County special services districts were brought within the state aid formulas, receiving foundation aid and special education aid in the same manner as other districts. However, in calculating special education aid for such districts, a uniform additional cost factor of 1.38 was established for all children, regardless of classification.

(3) New additional cost factors were added for:

autistic pupils and
pupils in regional day schools.

(4) All pupils in county vocational school special education classes were given the same additional cost factor, regardless of disability.

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8 State Support for Education Programs, Part I, op.cit., pp.9-10.

9 Chapter 52, Laws of 1990.

10 Chapter 62, Laws of 1991.

(5) The factor for pre-school handicapped pupils was split between full-day and half-day categories.

(6) Pupils placed in private schools were counted in the resident enrollment of the local school district and the 1.0+ additional cost factor (reduced in 1979-80 to 0.84) was eliminated.

(7) To determine special education aid, the additional cost factors were to be multiplied by the number of pupils and by the state foundation amount per pupil, rather than the state average net current expense budget per pupil.

The QEA was implemented for the school years 1991-92 and 1992-93, and special education aid was fully funded in each year. Special education aid rose by 52% in 1991-92 and by another 10% in 1992-93.

Under the QEA, the Governor was given the right to propose changes in special education additional cost factors by April 1, 1992 and by April 1 of each subsequent even-numbered year, with the proposed factors to go into effect 15 months later in the absence of legislative action. No changes were proposed by Governor Florio in 1992 or by Governor Whitman in 1994.

The Public School Reform Act of 1992 (PSRA)
1993-94

In early 1993, with the QEA under attack in the courts and with the state in the midst of a severe recession, the Legislature and Governor enacted the Public School Reform Act of 1992 (PSRA)[11]. Essentially a one-year holding action, the PSRA provided only minimal increases of state aid. Each school district was granted the same amount of special education aid in 1993-94 as it had received in 1992-93, regardless of the number of pupils to be served.

The Appropriations Act for 1994-95
(Chapter 67, Laws of 1994)

The PSRA was effective only for 1993-94, with the QEA presumably to come back into play for 1994-95 unless superseded by other legislation. In fact, although no new comprehensive legislation was enacted, the Legislature and Governor continued the policy of "freezing" most state aid at the prior year level. Again, each school district's special education aid was set at the amount received in 1993-94 which, in turn, had been based on the district's state aid entitlement for 1992-93 under the QEA.

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[11] Chapter 7, Laws of 1992.

CHAPTER VII

TRENDS IN SPECIAL EDUCATION FUNDING

A number of forces have had an influence on the trends of state aid for special education since 1976-77 including:

(a) changes in the number of special education categories covered by aid.

(b) changes in the number and proportion of pupils in special education programs.

(c) changes in the additional cost factors.

(d) changes in the placement of pupils in special education programs.

(e) increases in the base budget.

Changes in Special Education Aid Categories

Statutory changes have broadened the scope of special education aid since 1976-77. In 1978, the law was amended to provide aid for the use of resource rooms to which pupils would be assigned for a portion of the day.[1] State aid was authorized in 1979 for pupils placed in state institutions -- residential facilities for the retarded, day training centers, residential youth centers, training schools or correctional facilities, and child treatment centers or psychiatric hospitals.[2] Pre-school handicapped children were added in 1981.[3]

In 1987 the federal government cited New Jersey for non-compliance with EHA because only one placement option was available for students classified as eligible for day training. Students so classified were assigned to the state Department of Human Services (DHS) and attended day training centers run by DHS. State aid was paid directly to DHS for such placements, and the local districts had no responsibility for the students. Finally, effective in 1993 N.J.S.A. 18A:46-17, which authorized the exclusion of such pupils from the local school district, was repealed, essentially reestablishing district responsibility for pupils eligible for day training and opening the potential for a range of placement options.[4] The process of change, however, is still in transition. Most students in 1994-95 still attend day training centers run by DHS. Although the district must sign a contract with DHS for these students, the state aid for them is paid directly to DHS. In 1995-96 state aid will be paid to the districts for such students, the district will determine their placement, and tuition will be paid by the district if outside placements are made.

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[1] Chapter 445, Laws of 1977.
[2] Chapter 207, Laws of 1979.
[3] Chapter 415, Laws of 1981.
[4] Chapter 129, Laws of 1992.

In 1990 the QEA added autistic children to the list of disabilities for which state aid would be provided, and it added regional day schools and county special services districts as placements. Table 4 reflects these additions. County special services districts receive state aid directly from the state, but regional day schools are funded by tuition payments from the districts of residence.

Changes in Special Education Enrollment

State-funded special education enrollment can be divided into three broad categories, as shown in Chart 1 -- The Landscape of New Jersey Special Education. The largest group includes pupils enrolled in relatively long-term special education placements -- special education classes, whether in their own districts or elsewhere, long-term home instruction, or in resource centers. The second major group includes pupils who receive what might be called episodic special education services, usually for more limited periods of time -- supplemental instruction, speech instruction, or home instruction. The third kind of state-funded activity is made up of speech and supplemental instruction for non-public school pupils.

Enrollment in state-funded local long-term special education programs (omitting speech) has grown steadily over the past two decades both in absolute numbers and as a percentage of total resident enrollment, as shown in Table 5. This may be some confirmation of the fear expressed soon after the law was enacted, that basing aid on a pupil count will result in over-identification of children. On the other hand, it more likely reflects a national trend toward a recognition of the needs and rights of handicapped children.

The percentage of resident pupils enrolled in local long-term special education programs is surprisingly consistent from district to district. While there undoubtedly are some districts which identify an unusually high or low proportion of their students for special education, most districts fall within a relatively narrow range of variation. In 1993, 81% of the school districts (omitting county special services districts), including 84% of the total special education students in the state, were within plus or minus 4% of the state average percentage for these districts (i.e. between 7% and 15% of their pupils in special education programs).

Table 6 shows the pattern of local long-term special education enrollment over the past four years when school districts are grouped by socio-economic status (SES). This table includes placements in county special services districts. The highest incidence of special education enrollment is found in county vocational districts and in communities which are somewhat below the state average SES level. Very low SES places have a smaller proportion of special education pupils and high SES school districts a much smaller percentage. With the exception of the county vocational districts, the trend toward higher percentages is apparent at every SES level.

The resident enrollment of county vocational districts includes an increasing number of post secondary pupils who are not eligible for special education. Therefore, such students have been eliminated from the resident enrollment totals in calculating the percentages for county vocational districts in Table 6. Actually, the percentage of special education pupils in county vocational schools may be higher than shown in Table 6, since shared-time students who are classified in their home districts may not be counted as special education students in the vocational school enrollment.

Chart 1 - THE LANDSCAPE OF NEW JERSEY SPECIAL EDUCATION

STATE-FUNDED LONG-TERM SPECIAL EDUCATION PLACEMENTS

Long-Term Individual In-Home Instruction	Out-of-District Self-Contained Classes		Own-district Self-Contained Classes	Resource Centers: Out-of Class 21-50%	Resource Centers: Out-of Class <21%	Resource Centers: In-class	NON-STATE FUNDED CLASSIFIED PUPILS IN REGULAR CLASSROOMS	Total
(980)	Priv.Schools	9,559						
(Funded	Sp.Svc.Dist.	3,795.5						
Within	Reg.Day Sch.	1,102.5		(25,319)	(22,563)	(8,415)		
Hours of	Other Dist.	5,748						
Home	State Facil.	2,620					(Unknown	
Instruction		22,825	53,183		56,809.5		Number)	132,817.5
Below)								

More Restrictive ← Environment → Less Restrictive

NON-STATE-FUNDED RELATED SERVICES

Services to Classified Pupils	
Counselling	(18,551)
Occup.Therapy	(10,271)
Phys.Therapy	(5,700)
Spch./Lang.	(37,985)
Other	(3,265)
Total	(75,772)

STATE-FUNDED EPISODIC SPECIAL EDUCATION SERVICES

Supplemental Instruction	(Total pupils during all of 1992-93)	10,942
Speech Instruction	(Total pupils during all of 1992-93)	79,704
Home Instruction	640,691.7 hours during all of 1992-93	

STATE-FUNDED SPECIAL EDUCATION SERVICES TO NON-PUBLIC PUPILS

Supplemental Instruction	(3,066)	
Speech Instruction	(8,782)	
		(12,224)

Notes: (1) Number of pupils reported as of October 15, 1993 on Applications for State School Aid (ASSA) shown without parentheses.
(2) Number of pupils (incomplete) reported as of December 1, 1993 in Special Education Plan shown inside parentheses.
(3) Numbers will not always add exactly to indicated totals because of different reporting dates and incomplete data in some cases.

52

Chart 1 - The Landscape of New Jersey Special Education

This chart attempts to provide a comprehensive picture of the various environments within which special education services are delivered in New Jersey and the number of pupils in each according to the latest available information. Special education placements in the upper left portion of the chart are arranged according to the estimated nature of their environment, with the most restrictive environment -- individual home instruction -- to the left and successively less restrictive environments moving to the right.

Two sources of information have been used. The Applications for State School Aid (ASSA) report the number of pupils in various long-term environments as of October 15 of the pre-budget year and the total number of pupils receiving episodic special education services (or hours of home instruction) at any time during the year before the pre-budget year. ASSA pupil counts are shown without parentheses.

The Special Education Plan reports the number of pupils in various environments as of December 1 of the year of the Plan. The breakdown of non-public pupils between supplementary and speech activities and the related services counts are based on incomplete data, which omit some school districts. Special Education Plan pupil counts are shown in parentheses.

The total number of pupils estimated to come in contact with special education during a year, as shown on the chart, is at least:

State-Funded Long Term Placements	132,817.5
State-Funded Episodic Services:	
Supplemental Instruction	10,942
Speech Instruction	79,704
Individual Home Instruction	(980)
Services to Non-Public Pupils	(12,224)
	236,667.5

This figure does not include:

Classified pupils in regular classrooms who are not eligible for state special education aid.

Additional pupils receiving supplementary instruction or speech instruction in 1993-94 over the 1992-93 figures shown.

Pupils who receive short periods of home instruction during the year but are not included in the Special Education Plan report for December 1, 1993.

Data comparable to Table 6 indicate that relatively higher incidences of special education enrollment are found in:

small school districts,

districts with low property tax bases,

grade 7-12 regional districts, and

districts in South Jersey.

Lesser proportions of special education pupils are found in:

very large school districts,

high property tax base districts,

K-8 elementary districts which are members of a high school regional, and

districts in the northeastern part of the state.

In addition to the long-term special education programs described above and listed in Tables 5 and 6 there are state-funded episodic special education activities -- those which a pupil may move in and out of at various times during a year. These are shown in Table 7. The percentage of pupils receiving supplementary or speech instruction at some time during the year remained remarkably constant from 1977-78 through 1988-89, ranging from 6.4% to 7.1%. Since that time there has been a slow, but steady, rise to 7.9% in 1992-93. Supplementary and speech instruction is peculiarly an activity of the lower grades, with K-6 and K-8 districts having 12.3% and 10.1%, respectively, of their pupils involved in 1992. Regional high schools, on the other hand, report only 3.3% in 7-12 districts and 3.1% in 9-12 districts.

There appear to be no clear-cut patterns for the use of supplementary or speech instruction by socio-economic status or property wealth. Small districts have a larger proportion of pupils in such programs, but this is probably due to the substantial number of small K-6 districts. Mercer, Middlesex, and Morris counties also have an above-average proportion of supplementary/speech pupils, while Hudson and Salem have fewer than average.

Home instruction follows a similar growth pattern, but with the hours of such services rising rather dramatically in the last few years of data after a long period of relative stability. Home instruction is heavily concentrated at the secondary level; K-6 and K-8 districts report only 0.148 and 0.206 hours per pupil in 1991-92, while 7-12 and 9-12 regionals report 1.131 and 1.055 hours respectively. The differences among school districts also are more pronounced here. Low SES places, large districts, and low property tax base districts have high home instruction rates. Changes in school policies may play a significant role in year-to-year fluctuations in the incidence of home instruction. If a large number of pupils are suspended for disciplinary reasons, the necessary amount of home instruction may rise dramatically.

Table 5. Enrollment in State-Funded Local Long-Term Special Education Programs, 1977-1993.

	Enrollment Reporting Date	For State Aid During:	Resident Enrollment	Enrollment in Local Long-Term Special Education Programs	Percentage of Resident Enrollment
↑	9/77	1978-79	1,388,965	37,331.5	2.7%
	9/78	1979-80	1,350,087	38,500.5	2.9
	9/79	1980-81	1,306,076.5	62,119	4.8
	9/80	1981-82	1,267,710	68,002.5	5.4
	9/81	1982-83	1,225,240.5	73,156.5	6.0
	9/82	1983-84	1,201,460.5	78,028.5	6.5
Chapter 212	9/83	1984-95	1,168,857	85,403.5	7.3
	9/84	1985-86	1,148,264	88,659.5	7.7
	9/85	1986-87	1,132,557	91,738.5	8.1
	9/86	1987-88	1,124,158.5	95,902	8.5
	9/87	1988-89	1,109,792.5	99,117.5	8.9
	9/88	1989-90	1,096,994.5	101,108.5	9.2
↓	9/89	1990-91	1,095,343	103,175	9.4
↑	10/90	1991-92	1,110,667.5	109,011.5	9.8
QEA ↓	10/91	1992-93	1,132,488	112,989.5	10.0
↑	10/92	1993-94	1,153,930	118,497	10.3
PSRA ↓	10/93	1994-95	1,174,990.5	126,402	10.8

Notes: 1. Special Education enrollment in this table includes pupils in local district special education classes (including county vocational schools and regional day schools), private school placements, and resource rooms. It does not include pupils in county special services districts or state institutions or pupils receiving supplementary or speech instruction or home instruction.

2. Resident enrollment omits pupils in county special services districts or state institutions.

Sources: Department of Education: Categorical aid worksheets, applications for state school aid, and state aid print-outs.

Table 6. Enrollment in State-Funded Local Long-Term Special Education Programs as a Percentage of Enrollment, 1990-1993.
School Districts Grouped by Socio-Economic Status (DFG)

School District Factor Group	State-Funded Local Long-Term Special Education Enrollment as a Percentage of Total Resident Enrollment			
	1990	1991	1992	1993
A - Lowest SES	10.1%	10.1%	10.1%	10.5%
B	11.8	11.9	12.1	12.4
CD	12.1	12.4	12.6	13.0
DE	9.4	9.6	10.0	10.7
FG	9.2	9.4	9.8	10.5
GH	9.2	9.6	10.2	10.8
I	7.9	8.0	8.7	9.3
J - Highest SES	6.8	7.4	7.8	8.8
County Voc.Dist.	N.A.	25.1	23.5	23.7
County Sp.Svc.	100.0	100.0	100.0	100.0
State	10.2	10.4	10.7	11.2

Notes:
1. District Factor Groups used to estimate socio-economic status prepared by Department of Education using 1990 census data.
2. Special education enrollment includes pupils in own-district special education classes, other-district special education classes, private schools, resource rooms, county special service districts, regional day schools, and home instruction on the official reporting date in October.
3. State averages here differ slightly from state data in Table 2 because of inclusion here of pupils in special service districts and in home instruction.
4. In calculating the percentages for county vocational districts, post secondary pupils who are not eligible for special education have been eliminated from the resident enrollment. Shared-time vocational students who receive their special education services in their local district are not included in vocational special education enrollment counts.

Source: Applications for State School Aid (ASSA)

Table 7. Enrollment in State-Funded Episodic Special Education Activities, 1977-78 to 1992-93.

Year of Activity	For State Aid During:	Resident Enrollment in Fall of of Year	Pupils Receiving Supplementary/ Speech Instr. During Year	Percent of Resident Enroll.	Hours of Home Instruction During Year	Hours of Home Instruction per Pupil in Resident Enroll.
1977-78	1979-80	1,388,965	93,304	6.7%	501,991.6	.361
1978-79	1980-81	1,350,087	92,712	6.9	505,577.8	.374
1979-80	1981-82	1,306,076.5	83,879	6.4	521,856.8	.400
1980-81	1982-83	1,267,710	86,050	6.8	463,910.0	.366
1981-82	1983-84	1,225,240.5	86,872	7.1	424,450.1	.346
1982-83	1984-85	1,201,460.5	83,237	6.9	409,405.9	.341
1983-84	1985-86	1,168,857	82,536	7.1	397,256.9	.340
1984-85	1986-87	1,148,264	82,247	7.2	411,269.3	.358
1985-86	1987-88	1,132,557	79,872	7.1	408,413.4	.361
1986-87	1988-89	1,124,158.5	75,445	6.7	406,168.1	.361
1987-88	1989-90	1,109,792.5	76,803	6.9	411,540.0	.371
1988-89	1990-91	1,096,994.5	77,589	7.1	427,842.3	.390
1989-90	1991-92	1,095,343	81,599	7.4	502,994.1	.459
1990-91	1992-93	1,110,667.5	83,480	7.5	560,110.8	.504
1991-92	1993-94	1,132,488	87,793	7.8	598,587.0	.529
1992-93	1994-95	1,153,930	90,646	7.9	640,691.7	.555

Notes: 1. Resident enrollment omits pupils in county special services districts or state institutions.

Sources: Department of Education: Categorical aid worksheets, applications for state school aid, and state aid print-outs.

Changes in Additional Cost Factors

As shown in Table 4, additional cost factors have been changed frequently, both by legislative action and, more often, by action of the Governor. In an effort to identify the changes which may be significant, average statutory and effective cost factors are shown in Table 8 for five broad types of special education placement. The average statutory cost factor is found by adding the cost factors in Table 4 for each kind of pupil or placement and dividing the result by the number of factors. For example, for special classes, the additional cost factors for educable pupils, trainable pupils, orthopedically handicapped pupils, etc. are added and divided by the number of different cost factors to find an unweighted or statutory average. In contrast, the average effective cost factor is found by multiplying each cost factor by the number of children to whom it applies, and dividing the sum of the results by the total number of children. This is a weighted average. The statutory cost factor indicates the relative incentives for various placements, while the effective cost factor reflects the placements actually made. If the average effective cost factor is the smaller of the two averages, this indicates that most pupils have been placed in the lower cost categories; if the effective cost factor is larger than the average statutory factor, most of the pupils are in the higher cost categories. If all pupils were distributed evenly among all special education categories, the two averages would be the same.

There are a number of observations that can be made about Table 8:

(1) For local special education classes, the statutory cost factors were reduced within a few years after Chapter 212 was enacted, levelling off at about .700 to .800 in the 1980s. The QEA, however, enriched the statutory factors very significantly, increasing both the financial incentive to use such classes and the total potential cost of special education aid.

In special education classes, the effective cost factors have always been substantially below the statutory factors, indicating a concentration of pupils in the lower-cost categories of disability.

The effective cost factors for special education classes declined almost without interruption over the last 12 years of Chapter 212. The fact that the statutory factors remained stable for a long period of time, while the effective factors declined, casts considerable doubt on any charges that children may have been placed in high-return classes in order to gain financial rewards for the school district. With the QEA, the effective cost factors rose somewhat, but only in proportion to the increase in the statutory cost factors.

(2) Statutory cost factors for state facilities rose steadily from 1980-81 through 1990-91, indicating that state facility costs were growing more rapidly than local school district costs. As would be expected, the additional cost to maintain a child in a state institution was greater than for a local district special education class. Under the QEA, these statutory cost factors were reduced significantly.

Effective cost factors for state facilities followed the same pattern as the statutory factors, with the exception that in the early years they exceeded the statutory factors and later in the period they dropped behind, indicating a shift in the balance of pupils from high cost state facilities to those with lower costs.

Table 8. Average Statutory and Effective Additional Cost Factors for Special Education Aid: 1976-77 to 1992-93

State Aid Year	Local Spec.Ed. Classes		State Facilities		Private Schools		Resource Rooms/Ctrs.		Supplementary Instruc.		Total	
	Stat.	Eff.	Stat.	Eff.	Stat.	Eff.	Stat.	Eff.	Stat.	Eff.	Stat.	Eff.
76-77	1.113	.855	--	--	2.113	N.A.	--	--	.090	.090	1.105	N.A.
77-78	1.113	N.A.	--	--	2.113	N.A.	--	--	.090	.090	1.105	N.A.
78-79	1.297	.898	--	--	2.297	2.230	--	--	.090	.090	1.228	.322
79-80	.835	.624	--	--	1.675	1.826	.590	.590	.080	.080	.795	.339
80-81	.835	.680	.964	1.065	1.675	1.835	.590	.590	.080	.080	.829	.368
81-82	.835	.622	.964	1.060	1.675	1.836	.590	.590	.080	.080	.829	.378
82-83	.842	.602	.964	1.085	1.682	1.873	.600	.600	.080	.080	.834	.382
83-84	.827	.571	1.124	1.186	1.667	1.818	.600	.600	.080	.080	.860	.371
84-85	.692	.492	1.124	1.157	1.532	1.716	.600	.600	.080	.080	.806	.371
85-86	.720	.492	1.314	1.275	1.560	1.752	.600	.600	.080	.080	.855	.378
86-87	.759	.501	1.314	1.308	1.599	1.767	.600	.600	.080	.080	.870	.384
87-88	.795	.471	1.368	1.312	1.635	1.766	.600	.600	.080	.080	.896	.386
88-89	.708	.404	1.666	1.489	1.548	1.648	.600	.600	.080	.080	.920	.376
89-90	.759	.356	1.700	1.574	1.599	1.634	.600	.600	.080	.080	.948	.360
90-91	.794	.339	1.708	1.542	1.634	1.564	.600	.600	.080	.080	.963	.352
91-92	1.125	.484	1.414	1.234	--	--	.450	.450	.180	.180	.782	.386
92-93	1.125	.494	1.414	1.237	--	--	.450	.450	.180	.180	.782	.390

Notes: (1) The average statutory additional cost factor is the unweighted mean average of the cost factors in Table 4.

(2) The average effective additional cost factor is the mean average of the same factors from Table 4 when they are weighted by pupil enrollments.

(3) Statutory and effective cost factors shown for Local Special Education Classes in 1991-92 and 1992-93 include private school placements.

Source: Department of Education; Special Education worksheets.

(3) Statutory cost factors for private schools are the highest of these five types of placement, due to the use of the 1.0+ factor approach. By 1988-89, however, they were exceeded by the statutory cost factor for state facilities. In general they have declined over the analysis period. The effective factors generally exceeded the statutory factors, indicating the use of high cost placements in private schools.

(4) The statutory additional cost factor for resource rooms was substantially unchanged throughout the Chapter 212 period. Since this is a single category, averaging to find an effective cost factor is unnecessary; the effective factor will be the same as the statutory factor.

It probably is of some significance that, by 1983-84, the cost factor for resource rooms exceeded the effective cost factor for local special education classes, and it remained this way through 1990-91, thus eliminating any earlier financial incentive to place children in self-contained classes rather than resource rooms. The QEA reversed this pattern by raising the reimbursement level for special classes and cutting the statutory additional cost factor for resource rooms.

(5) The cost factor for supplementary and speech instruction, also a single category with identical statutory and effective factors, remained at .090 for three years under Chapter 212 and then was reduced to .080 for the rest of the period. Under the QEA it was more than doubled to .180.

In Table 8 the average statutory additional cost factors for the five major types of special education pupil placement have themselves been averaged to obtain a measure of the overall level of the factors. An average effective additional cost factor also has been computed to reflect weighting by the enrollment in each of the categories.

(6) The total average statutory cost factor was reduced after the first three years of Chapter 212, to a low point of .795 in 1979-80, and then began a rather steady rise through 1990-91. With the advent of the QEA in 1991-92, the statutory factor dropped sharply, mainly because of reductions for state facilities and resource rooms.

On the other hand, the total average effective cost factor fluctuated within a relatively narrow range -- between a low of .322 in 1978-79 and a high of .386 in 1987-88 -- under Chapter 212, but rose significantly under the QEA due to sharp increases in the cost factors for local special education classes and for supplementary and speech instruction.

(7) The statutory cost factor for home instruction (not shown in Table 8), originally .006 per hour of instruction, was reduced in 1979-80 to .005, where it remained for the rest of the Chapter 212 period. Under the QEA it was cut in half to .0025.

Since the passage of the QEA, regional day school placements have been funded with an additional cost factor of 1.38. Local districts receive state aid directly for such placements and pay tuition to the regional day school. This would appear to provide a definite financial advantage for the district over most local class or private school placements which carry lower additional cost factors. Although the state aid does not necessarily cover regional day school

tuition costs, the incentive to consider such a placement over other options is evident. But, there appears to have been no significant movement in the direction of these placements. The statewide regional day school enrollment in 1990 was 1,062, while in 1993 the total was 1,102, less than a 4% increase in three years.

In practical terms the additional cost factors have lost their meaning for 1993-94 and 1994-95, since special education aid in these years is frozen at the 1992-93 dollar level instead of being based on a pupil count and a cost factor. If the QEA had continued in effect for these years, the average effective cost factor for special education classes in 1994-95 would have risen to .542, the factor for state facilities would have dropped to 1.009, and the over-all average effective factor would have been .373.

Changes in Placement of Special Education Pupils

Once pupils have been identified and classified they must be placed in some form of special education environment. It is this environment which determines the state aid a school district will receive for that pupil. Table 9 shows changes among the major forms of special education placements over the past 17 years. In the absence of resource rooms in 1977, local district classes included 85% of all state-funded local long-term special education placements and private school placements provided the remaining 15%. With their authorization in 1979, resource rooms gained about one-third of all placements, self-contained local district classes dropped to a little over half of the total, and private school placements fell to less than 10%. These proportions held with minor variations for the next dozen years, despite pressure to increase the inclusion of handicapped pupils in regular classes to the maximum extent possible.

Beginning in 1992, however, there has been a shift away from local self-contained classes, which dropped from 56.2% of the total in 1991 to 47.5% in 1993, and toward resource centers, which rose from 35.9% in 1991 to 44.9% in 1993. This is a development which probably is too recent to be reflected in most national surveys, and it appears to be a change that is still underway.

The reason for the changes is not difficult to find. In April 1992 the New Jersey State Board of Education adopted major changes to New Jersey Administrative Code section 6.28. Effective for the 1992-93 school year, a local district had the option of establishing resource centers to replace resource rooms. By the 1993-94 school year all districts were required to include the new concept.

The administrative code amendment changed not only the name but the delivery of services as well. A student could now be placed in a resource center for support services for up to four hours per day, increased from two hours, or placed in a regular classroom with support for the whole day. The effect of this code change was dramatic in some districts. Where the philosophy of inclusion was generally accepted, interviews with the directors of special education have confirmed that the new resource center concept afforded increased flexibility in student placement and was now used with increasing regularity.

Data available for the last four years from applications for state school aid (ASSA) provide a more detailed picture of special education placements. Here it is possible to break down the October enrollments into seven categories:

Table 9. State-Funded Local Long-Term Special Education Program Placements, 1977-1993.

Enroll. Report. Date	Local District Spec.Ed. Classes	Private School Placements	Resource Rooms/Centers	Total
9/77	31,860.5 (85.3%)	5,471.0 (14.7%)	-	37,331.5
9/78	32,757.5 (85.1%)	5,743.0 (14.9%)	-	38,500.5
9/79	34,518.0 (55.6%)	5,962.0 (9.6%)	21,639.0 (34.8%)	62,119.0
9/80	36,652.0 (53.9%)	6,358.5 (9.4%)	24,992.0 (36.8%)	68,002.5
9/81	38,839.0 (53.1%)	6,272.5 (8.6%)	28,045.0 (38.3%)	73,156.5
9/82	40,722.0 (52.2%)	6,195.5 (7.9%)	31,111.0 (39.9%)	78,028.5
9/83	45,103.5 (52.8%)	6,401.5 (7.5%)	33,898.5 (39.7%)	85,403.5
9/84	47,087.5 (53.1%)	6,612.5 (7.5%)	34,959.5 (39.4%)	88,659.5
9/85	50,793.5 (55.4%)	6,993.0 (7.6%)	33,952.0 (37.0%)	91,738.5
9/86	53,221.5 (55.5%)	7,250.5 (7.6%)	35,430.0 (36.9%)	95,902.0
9/87	54,924.0 (55.4%)	7,571.0 (7.6%)	36,622.5 (36.9%)	99,117.5
9/88	56,351.5 (55.7%)	7,612.0 (7.5%)	37,145.0 (36.7%)	101,108.5
9/89	58,111.0 (56.3%)	8,116.0 (7.9%)	36,948.0 (35.8%)	103,175.0
10/90	61,466.0 (56.4%)	8,788.5 (8.1%)	38,757.0 (35.6%)	109,011.5
10/91	63,501.5 (56.2%)	8,955.5 (7.9%)	40,533.0 (35.9%)	112,990.0
10/92	62,761.5 (53.0%)	9,126.5 (7.7%)	46,609.0 (39.3%)	118,497.0
10/93	60,033.5 (47.5%)	9,559.0 (7.6%)	56,809.5 (44.9%)	126,402.0

Notes: 1. Special education enrollment in this table does not include pupils in county special services districts or state institutions or pupils receiving supplementary or speech instruction or home instruction.

2. Local Special Education Classes include pupils in own-district classes, other-district classes, and regional day schools.

Sources: Department of Education: categorical aid worksheets, applications for state school aid.

Own-district special education classes

Other-district special education classes

Private school placements

Resource rooms/centers

County special services districts

Home instruction

Regional day schools

Table 10 shows that the major change has been a reduction in the use of own-district self-contained classes, with a substantial increase in resource center use. The placement of pupils outside of local district schools -- in other districts, private schools, county special services districts, and regional day schools -- has declined slowly, with only the special services districts showing an increase over the last four years.

Probably the most dramatic differences are found when the districts are grouped by socio-economic status and enrollments in own-district self-contained education classes are compared with resource center placements. This is shown in Table 11. There is a clear pattern in each of the four years, with low-SES school districts giving great emphasis to their own self-contained classes and high-SES places making much greater use of resource centers. However, the pattern is shifting at every level, with the high-SES communities leading the way toward greater inclusion through the use of resource centers. County vocational districts report a far greater reliance on self-contained classes but, even here, there is movement toward resource centers.

When the school districts are grouped in other ways, the use of local own-district self-contained special education classes (own-district plus other-district) is greatest in:

large school districts,

districts with low property tax bases, and

districts in the northeastern and southwestern parts of the state.

Resource centers are most frequently used in:

high property tax base districts,

9-12 regional high school districts, and

districts in the northwestern parts of the state.

Table 10. Statewide Local Long-Term Special Education Placement Percentages, 1990-1993

	Percentage of Total State-Funded Local Long-Term Special Education Enrollment as of October 15:			
	1990	1991	1992	1993
Own-District Classes	48.0%	48.2%	45.5%	40.1%
Resource Rooms/Centers	34.0	34.3	37.5	42.8
Other-District Classes	5.1	4.5	4.1	4.3
Private Schools	7.7	7.6	7.3	7.2
County Special Services Dist.	2.5	2.8	2.9	2.9
Home Instruction	1.8	1.7	1.7	1.8
Regional Day Schools	0.9	0.9	0.9	0.8

Source: Applications for State School Aid (ASSA)

Table 11. Use of Own-District Self-Contained Classes vs. Use of Resource Rooms, 1990-1993.
School Districts Grouped by Socio-Economic Status (DFG)

School District Factor Group	Percentage of Special Education Pupils in Self-Contained Classes				Percentage of Special Education Pupils in Resource Rooms			
	1990	1991	1992	1993	1990	1991	1992	1993
A - Lowest SES	62.7%	63.6%	62.0%	58.0%	21.3%	20.8%	22.0%	23.7%
B	51.9	52.2	51.6	48.6	31.9	32.0	33.5	36.8
CD	48.6	49.7	47.3	42.2	35.7	35.6	38.4	43.1
DE	40.9	42.3	40.5	35.5	42.9	42.0	44.7	50.0
FG	44.3	45.0	42.3	33.4	37.7	38.4	42.6	52.8
GH	37.2	37.9	35.6	29.5	45.8	45.9	49.5	56.4
I	32.6	33.1	28.3	22.2	49.8	51.2	57.8	64.3
J - Highest SES	20.5	18.2	9.1	6.4	57.9	62.2	72.9	78.0
County Voc.Dist.	99.0	96.2	95.5	91.3	-	2.6	3.2	7.1
State	48.0	48.2	45.5	40.1	34.0	34.3	37.5	42.8

Notes: 1. District Factor Groups used to estimate socio-economic status prepared by Department of Education using 1990 census data.

2. Enrollments in self-contained classes include those in own-district classes plus those sent to other districts.

Sources: Applications for State School Aid (ASSA).

In every case, whether the districts are grouped by size, wealth, grade pattern, or geography, the trend is the same: a significant movement away from own-district self-contained classes starting in 1992 and toward the use of resource centers. Despite this broad-based movement, however, the trend is not universal. Of the 609 school districts, 143 increased their use of self-contained classes between 1990 and 1993, while 130 places made less use of resource centers over the same period.

Tables 12 and 12A give a more detailed picture of the recent changes in placement. Table 12 shows the total enrollment in 1991 and 1993 in each pupil classification according to the type of long-term placement made. Table 12A is derived from Table 12 and focuses on the changes. In each case, the pupil classifications are ranked according to their special education state aid additional cost factors.

Almost every pupil classification grew in enrollment during the period, with substantial increases in the number of pupils classified as multiply handicapped, neurologically handicapped, pre-school handicapped, perceptually impaired, and eligible for day training (EDT). Except for the EDT category, which is a new classification, these absolute increases represented relatively modest percentage changes. Autistic, another new classification introduced by the QEA, also grew rapidly in percentage terms.

The more dramatic development is the shift in type of placement, where public special education classes declined by over 3,000 pupils (-5%), while resource rooms/centers gained more than 15,000 (+37%). Private school enrollment grew only slightly (+4%), and long-term home instruction increased substantially on a percentage basis (+36%) but remained a small element in the total enrollment.

The imbalance between the growth in resource center enrollment and the loss in special education classes might seem to indicate that a high proportion of newly classified pupils was placed in resource centers, while the movement of pupils already in special classes to resource centers was less than the total figures at the bottom of the tables might suggest. This could only be verified by tracking individual pupils. In the district interviews child study team directors discounted this supposition and explained to the research team that, when a student's IEP is reviewed, movement to a resource center placement is frequently recommended if appropriate.

The largest shift of pupils from special education classes to resource centers comes near the bottom of the tables among students classified as perceptually impaired. This could indicate that school district personnel did, in fact, take into account the level of state aid reimbursement for these pupils, since perceptually impaired pupils in special classes have an additional cost factor of only .12, while they have a factor of .45 if placed in a resource center. The same might be said of pupils classified as neurologically impaired, although here the differential in additional cost factors is much less (.42 vs. .45).

However, there are reasons to believe that this is not the explanation. In the years before the QEA the differential in additional cost factors was even more in favor of resource rooms (.60 to .15), but no comparable shift of perceptually impaired pupils took place. The shift began after the State Board of Education redefined the resource center rules in early 1992. Moreover, the

Table 12. Long-Term Special Education Placements by Pupil Classification, 1991 and 1993; In Rank Order of Special Class Additional Cost Factor

Pupil Classification	Special Education Class Additional Cost Factor	Public Special Education Classes		Resource Rooms/ Centers		Private Schools		Long-Term Home Instruction		Total	
		1991	1993	1991	1993	1991	1993	1991	1993	1991	1993
Visually Hand.-Part.	2.79	25	23	34	71	5	5	--	--	64	91
Visually Hand.-Blind	2.79	6	6	3	20	11	12	2	--	22	38
Chronically Ill	2.23	164	111	183	291	4	9	147	128	498	539
Autistic	1.84	74	249	--	2	159	423	1	7	234	681
Orthopedically Hand.	1.70	182	147	130	171	162	86	10	8	484	412
Auditor.Hand.-HH	1.63	427	406	182	257	60	38	4	4	673	705
Auditor.Hand.-Deaf	1.63	270	269	21	42	37	36	3	1	331	348
Emotionally Dist.	1.09	6,688	5,937	2,281	2,859	3,644	3,542	260	396	12,873	12,734
Multiply Hand.	1.05	4,990	6,152	423	839	2,139	2,419	81	106	7,633	9,516
Trainable Ment.Ret.	.99	1,237	1,082	--	5	426	395	6	12	1,669	1,494
Communication Hand.	.84	2,215	2,357	430	862	412	305	1	6	3,058	3,530
Socially Maladj.	.67	169	139	61	77	51	42	2	7	283	265
Educable Ment.Ret.	.60	2,107	1,979	90	111	138	142	6	12	2,341	2,244
Neurologically Imp.	.42	12,411	11,932	3,142	5,162	1,492	1,390	45	69	17,090	18,553
Pre-School Hand.	.30/.60	4,996	5,719	8	25	494	557	17	28	5,515	6,329
Perceptually Hand.	.12	27,715	23,446	32,582	43,853	160	186	122	152	60,579	67,637
Traumatic Brain-Inj.*	--	--	14	--	14	--	7	--	3	--	38
Eligible:Day-Train *	--	--	624	--	1	--	205	--	14	--	844
Deaf-Blind*	--	--	2	--	--	--	--	--	--	--	2
P2R	--	2,216	2,233	1,378	1,635	244	234	16	27	3,854	4,129
Total		65,892	62,827	40,948	56,297	9,638	10,033	723	980	117,201	130,137

Notes: 1. Classifications with asterisk (*) not used in 1991 report; no additional cost factors assigned by law. Federal category of Traumatic Brain-Injured subsumed under state Neurologically Impaired category.

2. P2R classification refers to districts in the pilot project "Plan to Revise" special education, where pupils are classified into one of several broad categories rather than the statutory classifications shown in this table. For state aid purposes they are cross-classified also into one of the statutory classifications.

Sources: Special Education: A Statistical Report for the 1990-91 and 1991-92 School Years, New Jersey Department of Education, p.23 and advance information from comparable report for 1993.

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Table 12A. 1991-93 Change in Long-Term Special Education Placements and Percentages of Total Net Change; In Rank Order of Special Class Additional Cost Factor

Pupil Classification	Special Education Class Additional Cost Factor	Change in Long-Term Placement					% of Total Net Change in Placements
		Public Special Education Classes	Resource Rooms/ Centers	Private Schools	Long-Term Home Instr.	Net Change	
Visually Hand.-Part.	2.79	- 2 (- 8%)	+ 37 (+109%)	-- (--)	-- (--)	+ 35 (+ 55%)	0.3
Visually Hand.-Blind	2.79	-- (--)	+ 17 (+567%)	+ 1 (+ 9%)	- 2 (--)	+ 16 (+ 73%)	0.1
Chronically Ill	2.23	- 53 (- 32%)	+ 108 (+ 59%)	+ 5 (+125%)	- 19 (- 13%)	+ 41 (+ 8%)	0.3
Autistic	1.84	+ 175 (+236%)	+ 2 (--)	+ 264 (+166%)	+ 6 (+600%)	+ 447 (+191%)	3.5
Orthopedically Hand.	1.70	- 35 (- 19%)	+ 41 (+ 32%)	- 76 (- 47%)	- 2 (- 20%)	- 72 (- 15%)	-0.6
Auditor.Hand.-HH	1.63	- 21 (- 5%)	+ 75 (+ 41%)	- 22 (- 37%)	-- (--)	+ 32 (+ 5%)	0.2
Auditor.Hand.-Deaf	1.63	- 1 (--)	+ 21 (+100%)	- 1 (- 3%)	- 2 (- 67%)	+ 17 (+ 5%)	0.1
Emotionally Dist.	1.09	- 751 (- 11%)	+ 578 (+ 25%)	- 102 (- 3%)	+136 (+ 52%)	- 139 (- 1%)	-1.1
Multiply Hand.	1.05	+1,162 (+ 23%)	+ 416 (+ 98%)	+ 280 (+ 13%)	+ 25 (+ 31%)	+ 1,883 (+ 25%)	14.6
Trainable Ment.Ret.	.99	- 155 (- 13%)	+ 5 (--)	- 31 (- 7%)	+ 6 (+100%)	- 175 (- 10%)	-1.4
Communication Hand.	.84	+ 142 (+ 6%)	+ 432 (+100%)	- 107 (- 26%)	+ 5 (+500%)	+ 472 (+ 15%)	3.6
Socially Maladj.	.67	- 30 (- 18%)	+ 16 (+ 26%)	- 9 (- 18%)	+ 5 (+250%)	- 18 (- 6%)	-0.1
Educable Ment.Ret.	.60	- 128 (- 6%)	+ 21 (+ 23%)	+ 4 (+ 3%)	+ 6 (+100%)	- 97 (- 4%)	-0.7
Neurologically Imp.	.42	- 479 (- 4%)	+ 2,020 (+ 64%)	- 102 (- 7%)	+ 24 (+ 53%)	+ 1,463 (+ 9%)	11.3
Pre-School Hand.	.30/.60	+ 723 (+ 14%)	+ 17 (+213%)	+ 63 (+ 13%)	+ 11 (+ 65%)	+ 814 (+ 15%)	6.3
Perceptually Imp.	.12	-4,269 (- 15%)	+11,271 (+ 35%)	+ 26 (+ 16%)	+ 30 (+25%)	+ 7,058 (+ 12%)	54.6
Traumatic Brain-Inj.*	--	+ 14 (--)	+ 14 (--)	+ 7 (--)	+ 3 (--)	+ 38 (--)	0.3
Eligible:Day-Train.*	--	+ 624 (--)	+ 1 (--)	+ 205 (--)	+ 14 (--)	+ 844 (--)	6.5
Deaf-Blind*	--	+ 2 (--)	-- (--)	-- (--)	-- (--)	+ 2 (--)	--
P2R	--	+ 17 (+ 1%)	+ 257 (+ 19%)	- 10 (- 4%)	+ 11 (+ 69%)	+ 275 (+ 7%)	2.1
Total		-3,065 (- 5%)	+15,349 (+ 37%)	+ 395 (+ 4%)	+257 (+ 36%)	+12,936 (+ 11%)	

Notes: 1. Classifications with asterisk (*) not used in 1991 report; no additional cost factor assigned by law. Federal category of Traumatic Brain-Injured subsumed under state Neurologically Impaired category.

2. P2R classification refers to districts in the pilot project "Plan to Revise" special education, where pupils are classified into one of several broad categories rather than the statutory clsssifications shown in this table. For state aid purposes they are cross-classified also into one of the statutory classifications.

Sources: Special Education: A Statistical Report for the 1990-91 and 1991-92 School Years, New Jersey Department of Education, p.23 and advance information from comparable report for 1993.

shift in placements was not confined to perceptually impaired or neurologically impaired pupils with low special class additional cost factors. It pervaded the classifications, with higher percentage changes in many classifications where the special class additional cost factor was much higher than the factor for resource rooms.

Interviews demonstrated the crucial role of district policy in placing classified students for special education services. This policy may or may not be related to an established district educational philosophy. Whether written or simply understood, the policy seemed to be the general foundation on which the decision making process for placement was built.

The district policy, though rarely mentioned in those terms, became especially evident when the term "inclusion" was discussed. The research team asked each person interviewed to give a definition for inclusion. The definitions varied widely. Some responded that inclusion was placing a child in the same setting that would occur if the child had no disability. "This is the ideal" and "not possible in all cases" were often added. On the other end of the spectrum of answers, inclusion meant keeping the student within the resident district. With this definition, self-contained classrooms, resource centers, or regular classrooms could be an inclusive placement. Emphasis on one or the other of these three placement options seemed to shape the district policy.

Exactly how or who established the district policy was usually vague. District parental involvement and administrator/principal training were significant variables, but state aid and district resources were always part of the picture. Personnel from districts that consistently place a large percentage of special education students in regular classrooms with resource center support pointed out that the district was committed to this approach.

In districts where a large percentage of students were in self-contained classrooms, personnel always had reasons why the placements were the best option. The reasons, however, tended to revolve around funding. Some illustrative examples include:

"our district cannot afford in-class support,"

"we don't get state aid for those placements,"

"our classrooms are too crowded already,"

"aides cost too much," or

"teachers would have to receive in-service training."

The working options for placement flowed from the general district policy. That policy was the reference point and the director of special education services and child study team personnel simply proceeded to place classified students according to the established framework, with little or no regard to cost or state aid. The directors of special education usually had a basic knowledge

of how the funding formula worked and understood how various levels of services were funded, but they tended to ignore the whole process and left financial problems up to the business manager and superintendent. A good example of this total lack of concern was in the area of transportation costs. If a child with a severe disability was placed in-district, even if a special van was required for transportation, directors tended to dismiss the cost, i.e. the costs would be absorbed by the district. Only if the child was placed out-of-district did they consider that these costs might be significant. In the analysis shown in Table 13, all in-district transportation costs had to be adjusted to reflect actual costs in the district.

Thus, within the framework of the district policy, cost implications did not seem to play a major role for most special education placements. There were three exceptions to this generalization. The first was in cases involving residential placement. The impact on a district when one student's residential placement amounts to over $100,000 was indeed a major issue. It must be noted, however, that residential placement of pupils is an exceptional situation. In 1993 only 110 such cases were reported out of more than 200,000 pupils who receive some form of special education during a year.[5] While the burden on individual districts may be great, this is a minor problem for the state as a whole.

Second, when a severely disabled student was placed in a local school or, in cases where one or more students were brought back to a local school to form a class for a particular disability, the adaptations necessitated by such placements were seriously discussed and the costs evaluated. Such placements usually required physical changes to a classroom, in-service training for personnel, and the hiring of a classroom aide. Since major costs were involved for these placements, a thorough evaluation by the administrators and the special education personnel was usually part of the placement process.

Third, when a new teacher had to be hired because of changes in class size, or when lack of facilities prevented establishment of an in-district class, discussions followed and sometimes generated a more thorough review of placement options.

Several district personnel shared examples of the cost analysis used when a move was contemplated for a seriously disabled student. Table 13 illustrates the cost analysis for three students. Out-of-district placement costs are compared to the less restrictive in-district placement for each student. In the case of Student A, in-district placement was considerably more cost effective. For Student B, the costs of in-district versus out-of-district placement were comparable. But, for Student C, the decision to recommend a placement in-district represents a major district commitment to include students in a regular classroom despite the expense. The in-district placement cost for Student C was more than twice as much as a placement in a private school for the handicapped. The director of special education also pointed out that start-up costs were significant. The student used a special computer necessitating staff training. A substitute teacher was hired to assist in teacher preparation, and extra legal help was required to assure a smooth transition.

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[5] See The Landscape of New Jersey Special Education, p.41 above.

Table 13. Special Education Student Placement Costs

	Student A Multiply Handicapped District: Enrollment-Under 1,000 Morris County	Student B Educable Mentally Retarded District: Enrollment-Under 1,000 Morris County	Student C Multiply Handicapped District: Enrollment 1,800 Bergen County
	Out-of-District (Private school for the handicapped)		
Tuition	$28,202	$20,394	$20,000
Aide in Classroom (salary & benefits)	20,000	-	-
Case Manager	500 (10 hours/year)	500 (10 hours/year)	500
Director	210 (3 hours/year)	210 (3 hours/year)	-
Secretarial Help	60 (5 hours/year)	60 (5 hours/year)	300
Subtotal	49,972	21,164	20,800
Transportation	23,000	17,000	8,000
Total Cost	71,972	38,164	28,800
State Special Education Aid	7,176*	4,101*	7,176*
State Transportation Aid	1,000	1,000	1,000
Net Cost	63,796	33,063	20,214
	In-District		
Program (per pupil cost)	10,893 (Resource center)	8,087 (Perceptually impaired self-contained class)	10,000 (Regular class)
Extra Support (special education teacher & speech therapy)			6,000 (In-class resource center)
Aide in Classroom (salary & benefits)	19,550	19,550	17,000
Case Manager	1,500 (30 hours/year)	1,500	1,500
IEP Meetings	500 (10 hours/year)	500	500
Director	840 (12 hours/year)	840	840
Secretarial Help	180 (15 hours/year)	180	225
Related Services (OT & PT)	3,465	2,700	8,000
Equipment	1,000	1,000	-
Subtotal	37,928	34,357	44,065
Transportation	5,000 (estimate)**	450 (estimate)**	5,000 (estimate)**
Total Cost	42,928	34,807	49,065
State Special Education Aid	3,076*	820*	3,076*
State Transportation Aid	850	850	1,150
Net Cost	39,002	33,137	44,839

* The state aid for transportation was calculated using the appropriate factors for the district and county. Out-of-district mileage was estimated at 15 miles. In-district transportation was estimated at 3 miles.

** In-district transportation costs were estimated based on the type of vehicle used. The districts were unable to provide in-district information.

State foundation aid, which is not shown, will vary with the district but remains the same for in-district or out-of-district placements.

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After discussion with district administrators, the research team concluded that transportation costs and/or the need for a classroom aide appeared to be the most significant factors in in-district versus out-of-district placement cost differentials. As noted with Student B, the savings in transportation accomplished by moving the student back to the district were offset by the cost of the classroom aide required by the child's IEP. This discussion is not meant to encourage or discourage particular types of placement but rather to point out that costs are analyzed when difficult student placements are discussed.

The interview process also revealed another noteworthy area of the placement process, "administrative juggling". Although only indirectly related to funding, changes in placement resulting from disciplinary problems often result in a domino effect. When one student becomes a serious discipline problem, the answer may be a self-contained classroom or home instruction. If the district's self-contained classrooms are filled to capacity (numbers dictated by the New Jersey Administrative Code), administrators may look for a less troublesome student who could be transferred/included in a regular classroom or resource center. Such "games" are not evident in district reporting and are seldom openly acknowledged, but they do occur.

Increases in the Base Budget

The final factor in generating special education state aid is the base budget, which is multiplied by the number of pupils in each category and by the additional cost factor for that category.

Under Chapter 212, the base budget was the prior year state average net current expense budget (NCEB) per pupil -- the portion of the budget covered by state current expense equalization aid and local taxes for current expenses. It was calculated by deducting all other forms of school district revenue from the total current expense budget. In practice the NCEB amounted to about 80% of all current expenses.

In the QEA, the base budget for special education aid was the prior year state foundation amount per pupil, which constituted the portion of the current expense budget covered by state foundation aid and local property taxes.

Table 14 shows the changes in the special education base budget over the past 17 years. Rapid growth took place in the early and late 1980s, with lesser growth in the intervening years. The foundation amount per pupil under the QEA was substantially higher than the NCEB per pupil had been under Chapter 212, resulting in a 21.2% jump in the base budget in 1991-92.

Table 14. Base Budget Used to Calculate Special Education Aid: 1976-77 to 1992-93.

For Aid in:	Prior Year State Average NCEB per Pupil	Prior Year State Foundation Amount	Change From Prior Year	
1976-77	$ 1,435	--	--	
1977-78	1,512	--	+ 5.4%	
1978-79	1,659	--	+ 9.7%	
1979-80	1,829	--	+ 10.2%	
1980-81	1,997	--	+ 9.2%	
1981-82	2,242	--	+ 12.3%	
1982-83	2,545	--	+ 13.5%	
1983-84	2,818	--	+ 10.7%	Chapter 212
1984-85	3,110	--	+ 10.4%	
1985-86	3,350	--	+ 7.7%	
1986-87	3,642	--	+ 8.7%	
1987-88	3,989	--	+ 9.5%	
1988-89	4,520	--	+ 13.3%	
1989-90	5,075	--	+ 12.3%	
1990-91	5,639	--	+ 11.1%	
1991-92	(6,286)*	$ 6,835	+ 21.2%	QEA
1992-93	(6,498)*	7,232	+ 5.8%	

*Figures in parentheses are estimated NCEB per pupil if aid had continued under Chapter 212.

Source: Reock, State Aid for Schools.op.cit., Table 14; Department of Education computer printouts.

CHAPTER VIII

STATE AID FOR SPECIAL EDUCATION

The net results of changes in special education eligibility and enrollment, changes in pupil placement, changes in additional cost factors, and increases in the base budget are shown in Table 15. In 1978-79 more than half of the state aid money for special education went to local district special education classes and more than one-fifth to private schools, with the balance going toward supplemental and speech instruction and home instruction. With the authorization for funding of resource rooms in the next year, all of these placements received less state aid, and resource rooms claimed one-fifth of the special education funds.

From this point on, the share of funding devoted to local district special education classes generally declined through the Chapter 212 period to 26.9% in 1990-91. State funding for private school placements gradually became a smaller part of the total until the mid-1980s when the trend was reversed. By 1990-91, these two forms of placement together absorbed only 42.5% of special education funding or 40.4% if county vocational special education aid is deducted.

The QEA eliminated separate treatment for local classes and private schools and adopted a single set of additional cost factors for both kinds of placement. This change pushed the local class share of aid up to 29.9% in 1991-92 and more than 30% in the following year, while state aid generated by private school placements dropped to 10.3% of the total in 1991-92, its lowest level during the time period examined. Then the shift in placement from local classes to resource rooms began to be felt and, by 1994-95 the proportion of state aid entitlements generated by local classes dropped back to 26.9%. The private school share of aid entitlements has remained at a little more than 10% of the total.

An opposite trend is seen for resource rooms/centers, which moved from 20.2% of special education funding when first authorized in 1979-80 to 30.3% in 1990-91. The QEA then cut their additional cost factor, and they dropped to 22.5% of the total in the next two years, rising to 28.9% in 1994-95 as placements were shifted from local classes to resource centers.

The share of special education aid going to supplementary and speech instruction declined through most of the Chapter 212 era, reaching 8.5% in 1990-91. However, this trend was sharply reversed with the new cost factors under the QEA, and aid for supplementary and speech instruction jumped to almost one-fifth of the total in the 1990s.

Home instruction remained a relatively low cost item which declined in importance throughout both the Chapter 212 and the QEA portions of the analysis period.

The three new special education facility categories brought within the aid formulas by the QEA -- county vocational schools, regional day schools, and county special services districts -- receive rather small shares of the special education aid package.

Over the whole of the Chapter 212 era, from 1976-77 through 1990-91, state aid for special education grew at an average annual rate of 12.0%.[1] The average growth rate would have been even greater except for the practice, which began early in the law's implementation, of underfunding the state aid formulas. While underfunding began almost at once for some elements of Chapter 212, special education aid remained largely untouched until 1986-87, when the entitlement was underfunded by 2.1%.[2] Once the barrier was broken, however, underfunding of special education aid entitlements became an annual event, rising to 7.6% in 1989-90 and 15.9% in 1990-91 (See Table 15). When underfunding occurred, the normal practice was to reduce all aid entitlements by a uniform across-the-board percentage.

Underfunding has been resumed in the past two years with special education aid being frozen at the 1992-93 level. Table 15 contains estimates of the special education aid entitlement if the QEA had been continued in effect for 1993-94 and 1994-95. Shortfalls in these two years are $53.3 million (8.3%) and $118.3 million (16.9%) respectively.

Implementation of the QEA in 1991-92 resulted in a very substantial increase in special education aid, which was fully funded for two years. The major factor here was the shift in the base budget from the prior year state average NCEB per pupil to the prior year foundation amount per pupil, which was considerably higher. Of lesser importance in the immediate result was the continuing growth in the number of pupils enrolled in special education programs and a modest upward adjustment of the additional cost factors.

The overall growth in special education aid under the QEA, however, masks the changes within categories, which shifted the funding emphasis away from resource rooms/centers and toward local district special education classes and supplementary and speech instruction.

The change from resource rooms to resource centers, which became effective in 1992 stimulated a shift of enrollment to this kind of special education placement. If the QEA had remained in effect, the result would have been to increase the resource room/center share of state aid to 28.9% in 1994-95 and to reduce local special education classes to 26.9%. This result was not achieved, of course, because of the "freeze" of state aid.

State Aid vs. Expenditures

It has been possible to make only a very limited exploration of special education expenditures in this study. Table 16 compares the total direct expenditures reported by school districts in several recent years with state aid entitlements in the same years. State coverage of direct expenditures in 1986-87, for example, ranged from 14.7% for chronically ill pupils to 127.4% for the auditorially handicapped. These are relatively small categories, of course, so that minor variations in either expenditures or state aid may cause large percentage differences. Even in the largest categories, however, the proportion of direct expenditures covered by state aid varied considerably from year to year. Overall, state aid covered only a fraction of reported direct expenditures for special education.

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[1] Ernest C. Reock, Jr., State Aid for Schools in New Jersey, 1976-1993: Part II Tables and Charts, Table 15, Rutgers University Center for Government Services, April, 1993.

[2] Ibid.,Table 7.

Table 15. State Aid Entitlements for Special Education: 1978-79 to 1994-95

State Aid Year	Local Spec.Ed. Classes	Private Schools	State Facilities	Resource Rooms/Ctrs.	Supplement. and Speech Instruct.	Home Instruct.	Regional Day Schools	County Spec.Svc. Districts	County Vocational Spec.Ed.	Total Entitlement	Appro-priation
78-79	$47,459,591 (51.3%)	$20,241,830 (21.9%)	$ --	$ --	$14,759,608 (16.0%)	$5,038,850 (5.4%)	$ --	$ 5,000,000 (5.4%)	$ --	$92,499,879	$92,542,050
79-80	37,387,629 (37.2%)	17,495,088 (17.4%)	--	20,279,714 (20.2%)	13,652,255 (13.6%)	4,591,942 (4.6%)	--	7,000,000 (7.0%)	--	100,406,628	100,160,517
80-81	42,784,388 (34.3%)	19,937,559 (16.0%)	8,561,389 (6.9%)	25,494,533 (20.5%)	14,811,665 (11.9%)	5,049,691 (4.0%)	--	8,000,000 (6.4%)	--	124,639,225	124,720,902
81-82	51,146,419 (34.8%)	23,890,687 (16.3%)	8,888,936 (6.1%)	33,058,932 (22.5%)	15,044,531 (10.2%)	5,851,478 (4.0%)	--	9,000,000 (6.1%)	--	146,880,983	146,886,375
82-83	59,457,420 (33.9%)	27,343,116 (15.6%)	11,614,659 (6.6%)	42,824,715 (24.4%)	17,519,792 (10.0%)	5,904,879 (3.4%)	--	10,674,000 (6.1%)	--	175,338.581	176,446,000
83-84	65,570,810 (32.1%)	28,954,980 (14.2%)	19,164,309 (9.4%)	52,602,474 (25.7%)	19,584,428 (9.6%)	5,982,260 (2.9%)	--	12,449,000 (6.1%)	--	204,308,261	203,879,000
84-85	68,975,812 (31.5%)	30,987,495 (14.2%)	15,373,198 (7.0%)	63,254,601 (28.9%)	20,709,379 (9.5%)	6,368,181 (2.9%)	--	13,264,000 (6.1%)	--	218,932,666	215,307,000
85-86	77,586,590 (31.9%)	35,247,277 (14.5%)	16,765,307 (6.9%)	70,247,621 (28.9%)	22,113,046 (9.1%)	6,653,543 (2.7%)	--	14,495,000 (6.0%)	--	243,108,384	242,821,000
86-87	92,555,492 (34.0%)	40,872,616 (15.0%)	16,779,315 (6.2%)	74,110,422 (27.2%)	23,937,181 (8.8%)	7,482,969 (2.7%)	--	16,486,000 (6.1%)	--	272,223,995	267,170,000
87-88	99,971,339 (33.0%)	46,426,358 (15.3%)	19,426,453 (6.4%)	84,776,903 (28.0%)	25,482,363 (8.4%)	8,145,980 (2.7%)	--	18,877,000 (6.2%)	--	303,106,396	292,052,000
88-89	100,333,741 (30.1%)	50,916,008 (15.3%)	24,954,793 (7.5%)	99,320,220 (29.8%)	27,280,910 (8.2%)	9,182,372 (2.8%)	--	21,782,000 (6.5%)	--	333,770,044	323,718,000
89-90	101,651,526 (27.5%)	56,805,592 (15.4%)	27,945,063 (7.6%)	112,839,093 (30.5%)	31,108,283 (8.4%)	10,420,464 (2.8%)	--	28,724,000 (7.8%)	--	369,494,021	341,346,000
90-91	111,058,253 (26.9%)	64,241,436 (15.6%)	30,675,824 (7.4%)	125,009,866 (30.3%)	35,001,952 (8.5%)	12,066,172 (2.9%)	--	34,950,000 (8.5%)	--	413,003,505	347,363,000
91-92	158,127,042 (29.9%)	54,506,391 (10.3%)	31,263,037 (5.9%)	119,206,843 (22.5%)	100,391,274 (19.0%)	8,597,068 (1.6%)	10,021,815 (1.9%)	26,580,221 (5.0%)	19,959,635 (3.8%)	528,653,267	528,654,000
92-93	178,161,043 (30.6%)	60,658,400 (10.4%)	31,037,036 (5.3%)	131,503,795 (22.5%)	108,670,916 (18.6%)	10,128,919 (1.7%)	10,818,455 (1.9%)	32,849,697 (5.6%)	19,339,889 (3.3%)	583,168,154	581,631,000
93-94 Est.	184,014,000 (28.9%)	65,947,000 (10.4%)	26,334,000 (4.1%)	159,256,000 (25.0%)	119,990,000 (18.9%)	11,363,000 (1.8%)	11,264,000 (1.8%)	37,701,000 (5.9%)	19,945,000 (3.1%)	635,814,000	582,500,000
94-95 Est.	188,294,000 (26.9%)	72,489,000 (10.3%)	21,087,000 (3.0%)	202,692,000 (28.9%)	130,090,000 (18.6%)	12,770,000 (1.8%)	12,131,000 (1.7%)	41,761,000 (6.0%)	19,527,000 (2.8%)	700,841,000	582,500,000

Notes: 1. Prior to 1991-92 state aid for regional day schools and county vocational schools is included in first column as part of aid for local special education classes, and aid for county special services districts is maximum amount provided through separate line item in budget.

Source: Department of Education: Categorical Aid Worksheets, Applications for State School Aid; Governors' budget messages.

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The reporting of state aid and expenditures in the handful of P2R districts introduces a particular complication. Students in these districts are classified into three categories: eligible for full-time special education, eligible for part-time special education, and eligible for related services. Yet they also must be cross-classified into one of the statutory categories which carry an additional cost factor for the purpose of calculating state aid. And expenditures are reported by a third set of categories: learning disabled, moderately cognitively handicapped, moderately behaviorlly handicapped, related services, and part-time salaries and services. Table 16 shows expenditures by these last five categories, but state aid for P2R students is buried in the additional cost categories at the top of the table.

In addition to the direct expenditures incurred by local school districts, there are the costs of tuition which is paid to special education providers outside of the local district. More recent, but incomplete, data on special education appropriations for 1993-94 are shown in Table 17. In estimating total expenditures, only the portion of the tuition going to non-LEA providers can be counted, since the tuition paid to other LEAs is intended to cover their expenditures.

There is considerable question, however, whether the special education expenditures shown in Tables 16 and 17 represent the true costs of these programs. In developing the additional cost factors, many school district general operating expenditures are allocated to special education based on several different factors: the percentage of teachers involved, the percentage of average daily enrollment, or the percentage of floor space used. If these were to be merely added to the direct expenditures shown in Tables 16 and 17, the degree of state aid coverage of expenditures would be considerably lower. On the other hand, special education students generate foundation aid just as any other students, and this might have to be added to the state aid side of the equation. A more in-depth examination of special education costs than has been possible in this study is essential.

New Jersey's present system of state special education aid gives the appearance of great sophistication, with a variety of additional cost factors used to calculate the aid for different pupil classifications. However, even with the best of intentions and with diligent administration there is too much of a time lag in the system. The calculation of new additional cost factors under Chapter 212 could begin, for example, with the final reporting of 1986-87 costs and number of pupils by classification. Under the best of conditions, the determination of new cost factors by the Department could be completed by early 1988 and forwarded to the Governor, so that he could recommend them to the Legislature on April 1 of that year. If no legislative action took place, the new factors would go into effect for the 1989-90 school year, three years after the data on which they were based. Under QEA, the delay can be even greater, since the Governor may recommend changes only every second year.

Tables 16 and 17 also show the impact of underfunding on the coverage of expenditures. In 1986-87, state aid entitlements would have covered 70.5% of direct expenditures and the relatively minor underfunding in that year reduced coverage only slightly to 69.1%. By 1990-91, however, entitlements would have covered 62.0%, but the more drastic underfunding reduced this figure in actuality to only 51.3%. The fact that all of these percentages are less than 100% is due primarily to the time lag in applying revised cost factors, the use of prior year enrollments, and rising costs from year to year.

Table 16. Comparison of Direct Special Education Expenditures and State Aid Entitlements (In Thousands of Dollars)

	1986-87			1987-88			1988-89			1989-90			1990-91		
	Direct Expend.	Aid	Aid %	Direct Expend.	Aid	Aid %	Direct Expend.	Aid	Aid %	Direct Expend.	Aid	Aid %	Direct Expend.	Aid	Aid %
Educable	12,023	6,750	56.1	10,963	5,491	50.1	11,569	4,969	43.0	12,672	4,668	36.8	14,174	5,073	35.8
Trainable	8,644	5,974	69.1	8,961	5,120	57.1	9,231	4,934	53.5	8,809	5,197	59.0	8,927	6,171	69.1
Neuro-Imp.	33,419	20,432	61.1	37,918	23,403	61.7	43,497	24,041	55.3	47,647	24,751	51.9	54,055	26,272	48.6
Percep.Imp.	51,926	18,280	35.2	58,002	22,208	38.3	67,668	23,585	34.9	79,545	19,962	25.1	92,830	22,937	24.7
Emot.Dist.	24,826	18,090	72.9	31,897	19,490	61.1	32,576	18,981	58.3	33,736	19,496	57.8	36,630	20,591	56.2
Mult.Hand.	7,966	6,079	76.3	13,163	8,456	64.2	13,779	7,774	56.4	19,360	10,151	52.4	20,468	8,153	39.8
Soc.Malad.	1,212	975	80.5	1,139	533	46.8	1,086	578	53.2	1,203	468	38.9	912	408	44.7
Aud.Hand.	4,017	5,119	127.4	4,753	5,572	117.2	6,055	4,873	80.5	6,449	6,147	95.3	7,403	7,490	101.2
Ortho.Hand.	1,354	1,345	99.4	999	2,091	209.3	1,279	952	74.3	1,132	1,351	119.3	1,006	1,076	106.9
Chron.Ill	1,769	261	14.7	1,481	531	35.9	1,269	262	20.7	1,309	532	40.6	1,468	1,260	85.9
Vis.Hand.	329	234	71.0	284	226	79.4	322	303	93.9	367	302	82.4	308	312	101.3
Comm.Hand.	6,354	4,942	77.8	6,040	4,304	71.3	6,891	4,453	64.6	7,645	5,119	67.0	9,006	4,952	55.0
Pre-Sch.Hand.	8,958	4,075	45.5	10,054	2,548	25.3	12,128	4,628	38.2	14,189	3,508	24.7	16,663	6,361	38.2
Learning Dis.							3,485			3,614			3,862		
Mod.Cog.Hand.							572	In		613	In		717	In	
Mod.Behav.Hand.							580	above		648	above		845	above	
Rel.Svcs.							387	data		580	data		1,039	data	
PT.Svcs.							2,954			3,777			4,253		
Sp.Cl.Total	162,797	92,555	56.9	185,651	99,971	53.8	215,328	100,334	46.6	243,294	101,652	41.8	274,567	111,058	40.4
Resource Rm.	70,765	74,110	104.7	79,797	84,777	106.2	88,906	99,320	111.7	99,015	112,839	114.0	111,110	125,010	112.5
Supplemental	14,245	23,937	58.8	18,735	25,482	54.4	17,176	27,281	55.6	19,696	31,108	56.6	20,339	35,002	57.9
Speech	26,475			28,090			31,879			35,299			40,166		
Home Instr.	6,538	7,483	114.5	6,471	8,146	125.9	8,054	9,182	114.0	9,360	10,420	111.3	10,161	12,066	118.7
TOTAL	280,819	198,086	70.5	318,743	218,377	68.5	361,344	236,117	65.3	406,664	256,019	63.0	456,343	283,136	62.0
Actual Approp.		194,171	69.1		209,883	65.8		228,510	63.2		234,872	57.8		233,976	51.3

Notes: (1) Private schools and state facilities omitted.
(2) Bracketed expenditures (other than speech and supplemental) are expenditures of P2R districts.

Sources: Thirty-sixth Annual Report of the Commissioner of Education: Financial Statistics of School Districts, School Year 1986-87, New Jersey Department of Education; Department of Education computer tapes and print-outs for subsequent years; categorical aid worksheets.

Table 17. State Total School District Special Education Appropriations, 1993-94

Direct Expenditure Appropriations:		
Educable Mentally Retarded	$ 13,542,000	
Trainable Mentally Retarded	9,248,000	
Orthopedically Handicapped	2,139,000	
Neurologically Impaired	71,407,000	
Perceptually Impaired	114,437,000	
Visually Handicapped	846,000	
Auditorially Handicapped	9,938,000	
Communication Handicapped	12,997,000	
Emotionally Disturbed	41,994,000	
Socially Maladjusted	885,000	
Chronically Ill	1,041,000	
Multiply Handicapped	16,209,000	
Autistic	1,568,000	
Pre-School Handicapped - PT	13,774,000	
Pre-School Handicapped - FT	9,831,000	
Sub-Total: Special Education Classes		$ 319,855,000
Resource Rooms/Centers	177,350,000	
Supplementary Instruction	14,927,000	
Speech Instruction	58,579,000	
Home Instruction	13,161,000	
Extraordinary Services	14,836,000	
Sub-Total: All Direct Expenditure Appropriations		598,708,000
Tuition Appropriations:		
To Other LEAs	84,086,000*	
To County Vocational Districts	10,654,000	
To County Special Services Districts and Regional Day Schools	46,891,000	
To Private Schools in State	228,916,000	
To Private Schools Out of State	6,290,000	
To State Facilities	54,573,000	
Sub-Total: Tuition Appropriations		347,323,000
Estimated Total Local Special Education Appropriations		946,031,000
State Aid for Special Education		582,500,000

* Tuition to other Local Education Agencies (LEAS) omitted from total to avoid double counting in state total.

Note: County vocational and special services districts omitted; some educational services commissions included. Data subject to correction.

Source: Computer tape from Department of Education.

State Aid--Nonpublic

The public school district in which the nonpublic school is located provides Chapter 192 and Chapter 193 services with state aid funds to nonpublic school students (see Table 18). Districts are reimbursed a varying percentage of the actual costs of the services provided, depending upon the funds available. The district applies for state funds for the next school year. If the present level of funding is insufficient for the district to provide services for additional identified pupils, the district must request additional funds from the state. If the state accounts have run out, by federal law, the pupil's district of residence must make the special education services available.

This method of funding services for nonpublic school students presents some problems. If the state drops the percentage of reimbursement for actual costs, the districts must absorb the cuts in reimbursement plus the increased costs they are incurring. Not surprisingly, the districts continue to request more for services provided. A vicious cycle is perpetuated with the level of New Jersey's 192-193 accounts always running low or "in the red." The Department of Education has been unable to evaluate the actual cost of the services provided because payroll costs of child study team personnel and other providers vary widely between school districts, educational services commissions, and third-party providers.

District directors of special education were asked to discuss the services provided to nonpublic school students. In at least 75% of the interviews, the interviewees could not respond because the districts contracted out for these services. The local district child study team seldom did the initial work-up. The IEP and the services were contracted out to an educational services commission or to a third-party provider. When pressed to discuss problems that arose if a student's IEP required more than supplemental instruction and speech, the directors admitted that the IEPs usually are designed around the services available to nonpublic school students. The resident district administrator in charge of special education is involved in the Department of Education's tri-annual review of nonpublic special education services, and by statute, local district oversight is required. However, local personnel seem to be uninvolved. The research team was left wondering who was overseeing the whole process of nonpublic special education services.

Outcomes Assessment

Much emphasis has recently been placed on analyzing the outcomes of education, rather than the process of education. This concern about education outcomes first emerged in the 1980s in the broad field of general education, with little or no regard paid to special education. But, as several authorities have pointed out, the need to examine the outcomes of education for students receiving special education services is equally important and has now begun to get greater attention.[3]

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[3] See James E. Ysseldyke, Bob Algozzine and Martha L. Thurlow, Critical Issues in Special Education (1992), especially Chapter 9, "School Outcomes and Special Education."

Table 18. 1994-95 Funding Statement for Nonpublic Services Under Chapters 192 and 193.

State Aid Amounts for Services Under Chapter 192

	Rate/Pupil		Pupils		Allocation for Each Service	Additional Pupils	Additional 1994-95 Funding	Total 1994-95 Funding to Date
Compensatory Education	$ 642.40	x	31,417	=	$20,182,288	0	0	$ 20,182,288
E.S.L.	1,301.76	x	3,562	=	4,636,889	0	0	4,636,889
Transportation**					2,083,960		0	2,083,960
Total for Chapter 192					26,903,137			26,903,137

** Prorated at 73.77%.

State Aid Amounts for Services Under Chapter 193

	Pupils	Allocation for Each Service	Additional Pupils	Additional 1994-95 Funding	Total 1994-95 Funding to Date
Examination & Classification*	7,059	$ 5,573,936	0	0	$ 5,573,936
Corrective Speech*	11,758	10,254,235	0	0	10,254,235
Supplementary Instruction*	4,262	4,324,213	0	0	4,324,213
Total for Chapter 193		20,152,384			20,152,384

* Prorated at 77.94%.

Source: Department of Education, Division of Finance.

As in many other states, comparatively little information is available in New Jersey on this subject, other than statewide totals compiled on a large sample basis, as to the number of special education students graduating or dropping out each year, moving out of the district , and much smaller numbers either "aging out" or status unknown. The numbers declassified each year are also reported, but only for those 14 years of age or more. According to the department's Statistical Report, about 65 percent of the special education students in New Jersey graduate, and roughly 30 percent drop out. These figures are somewhat better than the national averages in these two areas. A statewide breakdown is also provided, based on a large sample, as to the number of special education students exiting by classification category. There are no data available, however, as to the graduation or dropout rates of students placed in separate classes, resource rooms/centers, and regular classes, although such information is clearly important. Nor is there any breakdown available as to the special education graduation or dropout rates by gender or race/ethnicity.

The department's "High School Graduation Requirements" report does provide data on the total number of special education graduates in each of the regular school districts in the last few years.[4] In most districts the percentage of special education graduates runs from around 7 percent to 13 percent of the total number of graduates, not too far from the proportion of special education students enrolled in most New Jersey high schools (some districts, however, have lower percentages, a possible cause for concern). But this is rather meager or minimal data, and it is impossible, given the information presently available, to calculate the graduation or dropout rate of special education students in any of the local school districts, only then perhaps roughly on an age basis. Since no data are available on the graduation (or dropout) rates of special education students on the basis of gender and race/ethnicity at the state level, it is likewise impossible to compute such rates at the local level, it is likewise impossible to compute such rates at the local level, although such information is provided for each high school's overall graduating class in the department's annual "Follow-Up" report.

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[4]The number of special education graduates from New Jersey's county special services districts was reported, both overall and by gender and race/ethnicity, in the Department of Education's annual "Follow-Up" report for about 5 districts up to 1992-93, when such results for these districts were for some reason, no longer included in this tabulation; most county special services districts did not so report. The number of all special education graduates from the various county vocational schools have been listed for many (but not all) of these systems in the department's "High School Graduation Requirements" report for the last two years. Unfortunately, such data are not available for the preceding years. The overall number of graduates reported for each district in these two documents are usually quite close, in many cases exactly the same. So, presumably the graduation totals for special education students are fairly accurate too. The data on the statewide number of special education graduates and dropouts (and a couple of lesser categories) by type of classification have been reported on a stratified sample basis from 1989 to 1993, and on a random sample basis in 1987 and 1988, the first years such data were reported.

Similarly, there is no information available as to the transition made by New Jersey's special education students to adult life (employment, additional education, etc.), although a $500,000 five-year project, called the New Jersey Partnership for Transition from School to Adult Life for Youth with Disabilities, has recently been initiated by the Department to try to deal with this problem. The importance of this type of study is pointed up by two disturbing facts. First, in the realm of employment, according to various recent surveys, a majority of the young people with disabilities in America (and perhaps New Jersey) do not have a job, and of those who are working, about 75 percent are likely to be employed part-time.[5] Second, the recently completed National Longitudinal Transition Study found that only 15 percent of the students in special education programs went on to any type of post-secondary education after completing high school. Of this 15 percent, only 1-2 percent entered a 4-year college, less than 5 percent entered a 2-year college, and the rest went to a vocational or trade school.[6]

Outcomes Assessment--Sports

At the beginning of the interview process, the research team asked district personnel how frequently classified special education students participated in extracurricular activities. It was immediately evident that they had little or no idea. Districts rarely keep records of total extracurricular participation, so collecting this type of information would involve interviewing a significant number of personnel who direct these activities. Since the greatest percentage of extracurricular participation involves interscholastic sports at the high school level,[7] the research team requested the help of the New Jersey State Interscholastic Athletic Association (NJSIAA) in evaluating the number of special education students who participated in interscholastic programs. This athletic organization has developed a policy of encouraging participation of handicapped students in competitive activities. As part of a yearly survey to New Jersey high schools, NJSIAA agreed to ask athletic directors how many classified students participated in one or more interscholastic sports in the 1993-94 school year. The 183 school responses they received represented 28,690 student participants. Of that total, 1,109 or approximately 4% were classified students, In the New Jersey general student population, about 11% are classified as needing special education services.

Since the possibility of participating in interscholastic sports is next to impossible for students placed out-of-district; only special education students placed in-district (about 85%) would find it convenient to participate. When controlling for out-of-district placements, the survey results provide evidence that classified in-district special education students are less than half as likely to participate in interscholastic sports as regular students.

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[5] See Ronald C. Eaves and Philip J. McLaughlin, Recent Advances in Special Education (1993), p.199.

[6] See Ysseldyke, Algozzine and Thurlow, Critical Issues in Special Education, pp.300-301.

[7] Ponessa, Joan M. **Student Access to Extracurricular Activities**. "Public Affairs Focus," Issue No. 23. Public Affairs Research Institute of New Jersey, Inc., Princeton, N.J. October 1992.

CHAPTER IX

FINDINGS AND RECOMMENDATIONS

The preceding sections have presented a considerable amount of information on the funding of special education in New Jersey. The major conclusions based on these findings can be stated as answers to a number of specific questions:

1. a. Does state aid for special education promote excessive identification of children with handicaps?

   b. Does it inhibit the appropriate identification of such children?

One of the common criticisms of the type of state aid system used in New Jersey is that, in order to obtain a "bounty" of additional state aid for each additional child, school authorities will be encouraged to identify special education-eligible children excessively.

The statistical data available might seem to support this criticism. New Jersey has a higher proportion of its pupils identified for special education than other states, and the percentage has been growing steadily over recent decades.

However, under closer scrutiny, this criticism appears to be unfounded. The growth in the percentage of New Jersey pupils identified as in need of special education is in line with an expanding national awareness of the needs and rights of persons with disabilities. The fact that more pupils than the national average are identified in New Jersey may well reflect this state's historical position as a leader in special education. In recent years, New Jersey's special education identification rate actually has grown more slowly than the rate in other states.

Interviews conducted with numerous special education providers support the conclusion that the persons responsible for identification of special education pupils are sufficiently insulated from the fiscal aspects of their decisions that such considerations play little if any role in determining their actions. This insulation is due not only to organizational arrangements within the school districts and the professional integrity of the personnel involved but also to the complex and seldom understood nature of the state aid system.

While there may be exceptions, for most districts the additional aid generated by each child identified frequently does not cover the extra cost of the additional services provided. The "freeze" of state aid in 1993-94 and 1994-95 compounds this situation. From a strictly fiscal point of view, a local school district often would be better off by ignoring the needs of a potential special education pupil and placing the pupil in a regular classroom with no special services of any kind.

The answer to question 1a, then, is most likely "No," the state aid system does not appear to have promoted excessive identification of special education-eligible pupils.

On question 1b, the fact that state aid apparently does not cover fully many of the additional costs generated by a special education pupil would seem to indicate that the system might inhibit

the identification of special education pupils. Again, however, the insulation of special education decision-makers from fiscal considerations appears to make the identification aspect of the process operate in the best interests of the children and not necessarily the fiscal interests of the school district or its taxpayers.

2. Does state aid for special education promote selection of classifications resulting in a higher reimbursement of state aid?

The fact that some pupil classifications carry a higher level of state aid than others leads observers to fear that there will be bias in the classification of pupils in order to gain more dollars for the school district.

Little evidence has been found of such an effect. In fact, over a period of 12 years under Chapter 212, the observed trend was toward greater use of the less financially remunerative classifications for pupils in special education classes.

Two factors may explain this conclusion. One is that some of the most lucrative classifications from a fiscal point of view are clearly identifiable conditions, such as visually handicapped. This makes it difficult to sustain an obvious misclassification. The other, and probably more important, factor is the insulation of the persons making classification determinations from the fiscal side of the special education process.

3. a. Does state aid for special education promote the selection of a placement resulting in a higher reimbursement of state aid?

   b. Does state aid for special education inhibit the use of placements resulting in the least restrictive appropriate environment?

Again, little evidence has been found that placements have been selected on the basis of the amount of state aid generated. In fact, some of the evidence seems to be in the other direction. From 1983-84 through 1990-91 the additional cost factor for resource rooms was higher than the average effective cost factor for special education classes, indicating that there was a financial incentive to use resource rooms. Yet during that period the use of separate special education classes gained slightly in popularity, while resource rooms were used less frequently. After the QEA was enacted, special education classes generated considerably more state aid than previously, while resource rooms/centers produced less. But during the post-QEA period there has been a significant shift toward the use of resource rooms/centers. Other factors appear far more important in determining pupil placement than the details of the state aid system.

A distinction should be made, however, between the cost of a special education placement and the state aid which a district receives as reimbursement. Special education personnel in the school districts often are acutely aware of the cost of various placements, especially when a change in placement is being considered. Costs generally are immediate, obvious, and linked to individual cases, and funds must be found and committed. State aid, on the other hand, is a reimbursement at some time in the future, and it is rarely identifiable as the result of a decision regarding a particular student. It is not surprising, therefore, that local decision-makers pay attention to costs, but usually seem oblivious to state aid considerations.

In one potential kind of placement, however, there is another side to the answer. Interview data have indicated that the special costs involved in moving a child from an existing placement into a regular classroom with related services, but no state funding, can be considerable, and that it sometimes makes a difference in when, how, and whether the change is made. While the existing gradations in state aid between different kinds of placement may be too small to have an impact on decisions, the difference between some state aid and no state aid may be significant.

There is no question that the movement from separate special education classes to resource rooms/centers in the last two years has taken place more rapidly and to a greater extent in the wealthier school districts of the state. Since state aid covers only a portion of the costs involved, the local financial resources of the school districts become a factor to consider. Some districts can readily pick up the additional costs while others cannot.

If a state aid system is to be designed which equalizes the burden of special education among districts having different local resources and, at the same time, equalizes the cost to the district of each placement option, it will be necessary to gather much more accurate cost data than is now available.

4. What other factors affect special education placements beyond funding?

Numerous other factors appear to have an impact on special education pupil placement decisions. One that has already been mentioned is the expanding awareness nationally of the needs and rights of persons with disabilities. This is reflected in mounting pressure from advocacy and professional groups and parents. It also is manifested in an active role by the federal government in pushing for placement of every child in the least restrictive environment.

On occasion, this pressure results in specific changes in law or administrative regulation. The 1992 change in the New Jersey Administrative Code, liberalizing the definition of resource rooms and establishing the resource center concept, is the outstanding illustration. This change has stimulated a substantial change in pupil placements which, on a statewide statistical basis, had shown little movement for almost two decades.

Parental involvement plays a significant role in pupil placements. Where parents are concerned, aware of their rights and, most importantly, financially capable of legal action, administrators listen and act. The fear of legal action has been reported to be the controlling factor in some special education placements. This may partially explain the lack of movement toward the use of less restrictive placements in the state's urban areas where the parents, while concerned, may not be as aware of their rights or as financially capable of legal action as their counterparts in the wealthier communities.

The small size of many New Jersey school districts is a factor in some placements. A small district obviously may not have enough children with a particular disability to run its own special education classes, in which case it must seek out-of-district placements in another district, a county special services district, or a private school if a separate class is the appropriate placement for the child. All of these settings would be considered more restrictive than placement within the district of residence.

Facilities can be a controlling factor. Many special education administrators complain that they are restricted by the facilities available. While a change in placement may work both ways -- sometimes demanding more space, at other times freeing up space -- there is always the potential for a mismatch between space available and space needs. Undoubtedly this is a factor in some school districts.

In addition, there is the attitude of the school district staff. The personal and professional orientation of the special education staff have a profound effect on the type of placements. Where school district administrators and staff are committed to finding the least restrictive environment for every child, substantial change can and does take place. Where the special education personnel have gained their experience in more traditional settings emphasizing separate classes, the movement toward less restrictive environments may lag.

Finally, the attitude of regular classroom teachers is extremely important. In most cases, such teachers have had little training or experience in handling children with disabilities. They may resent and resist the additional burden that they anticipate when inclusion is proposed. And they may fear the disruption which they expect may happen.

5. Are staff hiring decisions a product of funding formulas?

No evidence has been found that this is the case. State aid is paid on the basis of the number of pupils in specified special education placements, with no restriction on the expenditure of the funds. Therefore, there is no obvious connection between the funding formula and staff hiring. Morover, interviews suggest that the school districts generally have hired the staff that is necessary to implement the IEPs of the students.

6. Is it possible to determine how much a district has spent on special education?

Only in part -- while each school district includes in its audited budget the amount which it has identified as expended for obvious special education purposes, there are many other expenditures on special education pupils which are contained in other parts of the budget. It is very difficult, if not impossible, at this time to obtain accurate data. The problem is compounded by the fact that the Department of Education has not published its annual report on the Financial Statistics of School Districts since 1986-87. While data are available for later years on computer tapes, these are not available to members of the general public.

7. Does the system promote accountability for special education funding?

No; there is no earmarking of special education state aid funds for special education purposes. Special education state aid may be used for any local school district purpose.

8. Is the state aid formula simple and easy to apply effectively?

No; the formula appears to be complex and is not understood by most persons working in the field.

Ironically, this may be one of the strengths of the system, since ignorance of the formula's financial impact may serve as a major insulator of the personnel from the fiscal impact of their

decisions. Understanding of the fiscal consequences might possibly shift the focus of decision-making in identification, classification, and placement away from the children and toward the benefits or burdens for the school district.

9. What are the major deficiencies of the special education state aid system?

   a. There are gaps in the formula which result in no state aid being provided for placements which may represent the least restrictive environment. These include children placed in regular classrooms with related non-educational services.

   b. On a statewide basis, the system does not cover all of the reported costs of special education. This fact has been exacerbated in the last two years by the freeze on state aid for almost all purposes. State aid for special education is still based on the enrollment counts of October 1991 and the base budget for 1992-93, while both enrollments and costs have risen.

   c. The fact that local districts often must provide special education to some extent from their own resources places a severe burden on the poorest school districts of the state. This may well explain the slow movement of the low-SES districts from special education classes toward resource rooms/centers.

   d. While the state aid system appears sophisticated, it has a number of weaknesses:

      (1) it is very complex and requires considerable staff time to gather and process the necessary data;

      (2) it reimburses school districts on the basis of prior-year enrollment and statewide average costs. Some district costs are above the average while others are below it. Some districts gain pupils during the year; others lose enrollment.

      (3) it has defects in implementation; there inevitably is a long time lag in the effective date for new additional cost factors, and this has been compounded by the lack of action by Governors Florio and Whitman in updating the factors.

      (4) while the experience suggests that this has not yet happened on any large scale, the cost-factor approach potentially includes incentives for misidentification, misclassification, and misplacement of special education pupils.

   e. Lack of adequate state aid for residential placements threatens to impose a severe local financial burden, particularly on small school districts.

   f. State aid funds for special education are not dedicated to special education uses.

   g. There appear to be few effective standards for child study teams, with placement patterns varying widely among districts. Much more should be done to train child study teams and to bring their members together across local boundaries.

   h. Regular classroom teachers lack preparation in special education, and there is a lack of funds for their in-service training.

Recommendations

The importance of the factors cited above in influencing the major decisions does not, however, preclude the need for reforms to the special education service delivery and financing systems. The absence of adequate standards, data, and accountability in service delivery should be addressed. Similarly, the lack of earmarking of state categorical funds for special education is a hindrance to greater accountability. Moreover, the inadequacy of training certainly hampers efforts to comply with federal and state government requirements. To address these concerns, the research team offers the following recommendations for consideration.

1. The state aid system must promote placement of pupils in the least restrictive environment.

2. The system should provide comprehensive financial support of all forms of special education placement.

3. A comprehensive study should be made of the real costs of all special education placements.

4. The present state aid system should be revised to:

   (a) equalize the ability of school districts to provide special education,

   (b) equalize the cost burden to districts of the various special education placements, including residential placements,

   (c) provide sufficient funds for appropriate special education placements in all school districts.

   (d) use a current-year pupil count.

5. Special education state aid funds should be dedicated to special education expenditures.

6. A more comprehensive plan for special education data collection should be developed and implemented.

7. There should be state child study teams to:

   (a) evaluate and approve recommended residential placements,

   (b) provide and promote standards for local child study teams and provide oversight for the placement process.

8. Undergraduate and graduate curricula for the training of teachers should include instruction on the needs and teaching of special education pupils.

9. There should be a state-funded program of in-service training on the teaching of special education pupils for all incumbent teachers.

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